



MEETINGS SCHEDULED FOR MAY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, MAY 23, 2019

Regular Board Meeting
1:00 p.m.

Lake Superior Conference Room- Fourth Floor

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, May 23, 2019.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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AGENDA
Minnesota Housing Board Meeting
Thursday May 23, 2019
1:00 p.m.

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
 - A. (page 5) Regular Meeting of April 25, 2019
- 5. Reports**
 - A. **Chair**
 - B. **Commissioner**
 - C. **Committee**
- 6. Consent Agenda**
 - A. (page 9) Grant Contract Modification, Impact Fund Award, Northside Home LLC
 - B. (page 11) Grant Contract Modification, Impact Fund, Northcountry Cooperative Foundation
 - C. (page 13) Approval of Assumption of Low and Moderate Income Rental (LMIR) Loan
 - Guardian Angels Apartments, Hastings, MN D2914
 - D. (page 17) Approval, Grant Extensions and Additional Funding, Housing Trust Fund (HTF) Rental Assistance
- 7. Action Items**
 - A. (page 21) Annual Action Plan for Federal Fiscal Year 2019
 - B. (page 49) Selection, Approval Rental Rehabilitation Deferred Loan (RRDL)
 - Waverly Community Homes, Waverly, MN D2949
 - C. (page 55) Manufactured Home Loan Commitment, Sungold Heights
- 8. Discussion Items**
 - A. (page 59) Summary of 2019 Legislative Session
 - B. (page 61) 3rd Quarter FY 2019 Financial Reporting Package
 - C. (page 71) Strategy Discussion: Housing Market
 - D. (page 85) 2019 Affordable Housing Plan and the 2016-19 Strategic Plan: Second Quarter Progress Report
- 9. Information Items**

None.
- 10. Other Business**

None.
- 11. Adjournment**

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DRAFT Minutes
Minnesota Housing Board Meeting
Thursday April 25, 2019
1:00 p.m.

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance agency at 1:00 p.m.

2. Roll Call.

Members Present: Julie Blaha, Terri Thao, Joe Johnson, Stephanie Klinzing, John DeCramer, and Craig Klausing

Minnesota Housing Staff present: Tal Anderson, Ryan Baumtrog, Kevin Carpenter, Chuck Commerford, Jessica Deegan, Alison Ehlert, Diane Elias, Rachel Franco, Lori Gooden, Brian Haefner, Anne Heitlinger, Jennifer Ho, Summer Jefferson, Dan Kitzberger, Tresa Larkin, Amy Larson, Debbi Larson, James Lehnhoff, Ellie Miller, Katie Moore, Shannon Myers, Josh Nguyen, Tom O'Hern, Ashley Oliver, John Patterson, Tony Peleska, Kirby Pitman, Devon Pohlman, Caryn Polito, William Price, Paula Rindels, Rachel Robinson, Irene Ruiz-Briseno, Megan Ryan, Dani Salus, Megan Sanders, David Schluchter, Terry Schwartz, Anne Smetak, Jodell Swenson, Mike Thone, LeAnne Tomera, Ted Tulashie, Nancy Urbanski and Kristy Zack.

Others present: Ramona Advani, Office of the Minnesota State Auditor; Chip Halbach, Dominion; Laura Janke, RBC; Melanie Lien, Piper Jaffray; Anne Mavity, Minnesota Housing Partnership

3. Agenda Review

No changes.

4. Approval of Minutes

A. Regular Meeting of February 21, 2019

Motion: Craig Klausing moved to approve the February 21, 2019 minutes. Seconded by Stephanie Klinzing. Motion carries 6-0.

B. Regular Meeting of March 21, 2019

Motion: Julie Blaha moved to approve the March 21, 2019 minutes. Seconded by Terri Thao. Chair DeCramer and Craig Klausing abstained. Motion carries 4-0.

5. Reports

A. Chair

None.

B. Commissioner

Commissioner Ho shared the following with the board:

- Craig Klausing and Stephanie Klinzing have been reappointed to the Minnesota Housing Board.
- Joe Johnson submitted his resignation to the Governor. He will stay on until his replacement is identified. Joe has been on the board for almost 15 years.
- Damaris Hollingsworth submitted her resignation to the Governor, effective immediately.
- Traveled to Marshall recently to attend an event recognizing the southwest COC to be recognized by the Federal Government for ending chronic homelessness. John and Jennifer toured Marshall after the event.

- Traveled to Fond du Lac to attend the Minnesota Tribal Collaborative Event.
- We hosted Governor Walz last week to celebrate 100 days.
- Successful launch of our new loan commitment system.
- The Agency Risk Assessment update will be shared with the board in the fall.
- Tal Anderson provided the board with an update on the Quickstart – we made an exception to the amount of the loan from \$25,000 to \$44,000.
- We implemented a new Dress for Your Day policy last week.

New Employee Introductions:

- Dan Kitzberger introduced Amy Zhou, Legislative Intern
- Jennifer Ho introduced Rachel Robinson, Deputy Commissioner and James Lehnhoff, Assistant Commissioner, Multifamily division.

C. **Committee**

The Finance and Audit Committee met prior to the board meeting today. Representatives from the RSM US LLP, the Agency's external audit team, discussed the audit planning for the 2019 engagement. The discussion included engagement terms, audit timing and scope and risk factors that include fraud and key transactions.

6. **Consent Agenda**

A. **Extension of maturity on a Minnesota Housing loan to Greater Metropolitan Housing Corporation (GMHC)**

Motion: Joe Johnson moved to approve the Consent Agenda Item. Seconded by Stephanie Klinzing. Motion carries 6-0.

7. **Action Items**

A. **Approval, Resolution Delegating Tax Credit Joint Powers Agreement Authority to the Commissioner**

Tom O'Hern presented to the board a request to authorize the Commissioner to enter into Joint Powers Agreements regarding the administration of tax credits with suballocators. Granting the requested delegated authority promotes the efficiency of the tax credit process. The Commissioner will make a written report to the Board at least annually describing the action taken utilizing that authority. The delegated authority may be amended or revoked by the Board at any time. Chair DeCramer opened up the discussion. Terri Thao inquired if we are required to fund the geographies from the cities that return the credits to the Agency. Mr. O'Hern indicated that we are not, the credits are returned to the general tax credit pool.

Motion: Joe Johnson moved Approval, Resolution Delegating Tax Credit Joint Powers Agreement Authority to the Commissioner. Seconded by Terri Thao. Motion carries 6-0.

B. **Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR) – Cedardale Place, D1100, Owatonna**

Caryn Polito presented to the board a request for approval of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in an amount not to exceed \$5,000,000, subject to the review and approval of the mortgagor and the terms and conditions of Minnesota Housing's term letter. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Craig Klausing moved Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR) – Cedardale Place, D1100, Owatonna. Seconded by Stephanie Klinzing. Motion carries 6-0.

C. **Approval, Selection, Publicly Owned Housing Program (POHP), 2018 RFP**

Irene Ruiz-Briseno and David Schluchter presented to the board a request for approval and adoption of the attached resolution authorizing the selection and awards for 2018 POHP applicants. If approved, the selections would fully fund 12 developments and partially fund four developments, for a total amount of up to \$ 7,668,195. In addition, staff seeks approval to provide additional awards to two of the partially funded developments and to provide full funding for three additional developments in the event that additional Minnesota General Obligation (GO) bond proceeds become available by either legislative action or reduced needs from previously selected POHP projects. Selections are subject to final underwriting and the terms and conditions of the POHP Program Guide and loan documents. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Terri Thao moved Approval, Selection, Publicly Owned Housing Program (POHP), 2018 RFP. Seconded by Julie Blaha. Motion carries 6-0.

D. **Approval, Selection and Commitment, 2019 Housing Tax Credit (HTC) Program – Round 2 and Selection and Commitment of a Preservation Affordable Rental Investment Fund (PARIF) Loan**

William Price presented to the board a request for adoption of a resolution authorizing the allocation of federal Low-Income Housing Tax Credits (HTC). Approval includes the selection and reservation/increased reservation of HTC for Round 2 of the 2019 HTC Program year, and as credits become available and subject to final review, the authorization of the selection of projects on the waiting list and adoption of a resolution approving a selection and commitment of financing under the Preservation Affordable Rental Investment Fund (PARIF) program for one of the HTC selections. Chair DeCramer opened the discussion. Craig Klausing inquired on the predictive cost model on crossing phase 2. Staff provided answers.

E. **Motion:** Julia Blaha moved Approval, Selection and Commitment, 2019 Housing Tax Credit (HTC) Program- Round 2 and Selection and Commitment of a Preservation Affordable Rental Investment Fund (PARIF) Loan. Seconded by Joe Johnson. Motion carries 6-0.

Approval, Selection and Commitment, Family Homeless Prevention and Assistance Program Funds

Diane Elias presented to the board a request for adoption of a resolution authorizing \$19,276,389 in Family Homeless Prevention and Assistance Program (FHPAP) funds. This amount reflects not only the amount authorized by the Legislature (\$17,038,000), but an additional quarter of funds plus a small amount of uncommitted funds from the prior biennium. These funds will allow Minnesota Housing to execute contracts with 20 grantees to provide supportive services and direct financial assistance to populations throughout the state of Minnesota. Chair DeCramer opened up the discussion. Board asked a series of questions and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Selection and Commitment, Family Homeless Prevention and Assistance Program Funds. Seconded by Joe Johnson. John DeCramer abstained. Motion carries 5 -0.

F. **Approval, Selection and Commitment, Bridges and Bridges Regional Treatment Center (RTC) Rental Assistance Programs Funds**

Ellie Miller presented to the board a request for adoption of a resolution authorizing \$9,686,946 in Bridges and Bridges Regional Treatment Center (RTC) program funds. These funds will allow the Agency to execute contracts with 22 administrators, effective from July 1, 2019 through June 30, 2021, to serve an estimated 650 households each month. Chair

DeCramer opened up the discussion. Craig Klausing inquired as to when Minnesota Housing became responsible for the Bridges program.

Motion: Terri Thao moved Approval, Selection and Commitment, Bridges and Bridges Regional Treatment Center (RTC) Rental Assistance Programs Funds. Seconded by Craig Klausing. Motion carries 6-0.

G. Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Homeownership Finance Bonds (HFB)

Kevin Carpenter presented to the board a request for approval of a resolution authorizing the terms of one or more bond issues, not-to-exceed \$300 million and to be issued prior to the end of 2020. Bond Counsel and Agency staff has also prepared a Preliminary Official Statement for an offering of approximately \$35 million in Homeownership Finance Bonds, 2019 Series CD, which is anticipated to price in mid-May of 2019. Michelle Adams from Kutak Rock joined the call to review the resolution. Chair DeCramer opened the discussion.

Motion: Joe Johnson moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Homeownership Finance Bonds (HFB). Seconded by Terri Thao. Motion carries 6-0.

8. Discussion Items

- A. Strategy Discussion: Producing More Housing – A 50% Increase
Moved to future board meeting.

9. Information Items

- A. Post-sale Report, Residential Housing Finance Bonds, 2019 Series ABCD
Stephanie Klinzing requested an overview on the report. Kevin Carpenter provided a high level overview of the report.
- B. Federal Shutdown Impact on the Agency
Ashley Oliver provided the board with an update on the impact of the federal shutdown.

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:58 p.m.

John DeCramer, Chair

Item: Grant Contract Modification, Impact Fund Award, Northside Home LLC.

Staff Contact(s):

Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval to add new construction as an eligible activity to Northside Home LLC's 2017 Impact Fund award (10-2017-17) and reduce the total awarded grant funds from \$200,000 to \$125,000.

Fiscal Impact:

Challenge is a state resource, with individual awards structured as grants or loans that do not earn interest for the Agency.

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Grant Contract Modification

Background

The Community Homeownership Impact Fund (Impact Fund) provides funding for new construction, acquisition, rehabilitation, resale, affordability gap, and owner-occupied rehabilitation of homeownership housing units through the annual Single Family Request for Proposals (SF RFP).

Northside Home LLC (NSH) is a nonprofit organization that develops homes in North Minneapolis.

In October 2017, the Board approved \$200,000 in Economic Development Housing Challenge (Challenge) grant funds for NSH to acquire, rehabilitate, and resell eight single family homes in North Minneapolis. To date, NSH has completed rehabilitation of two homes that will be sold to homebuyers in May or June 2019.

Grant Contract Modification

NSH requested to expand their eligible housing activities to include new construction. The current eligible activity is limited to acquisition, rehabilitation, resale. First, the number of homes available for purchase in North Minneapolis has decreased since NSH applied in 2017. Second, the total costs have increased. Home prices are higher now and homes available for purchase at a reasonable price require substantial rehabilitation that is cost prohibitive. Finally, there are many vacant lots in North Minneapolis that need to be developed. NHS has already identified three vacant lots it intends to develop. Expanding the eligible activity to include the new construction activity will allow NSH to better meet the needs of the community.

The awarded Challenge grant funds will be reduced from \$200,000 to \$125,000 because even with the expanded definition of eligible activities, NSH will only be able to complete 5 of the 8 awarded units. This will also free up \$75,000 in Challenge funds to be reallocated.

Item: Grant Contract Modification, Impact Fund, Northcountry Cooperative Foundation

Staff Contact(s):

Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

Request Type:

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|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff recommends amending Northcountry Cooperative Foundation's (NCF) Impact Fund Grant Contract (10-2017-16) to expand the target area for their NEST Homes Value Gap Program. The target area expansion will allow NCF to use the awarded funds in any resident-owned manufactured park community in Minnesota.

Fiscal Impact:

None.

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Grant Contract Modification

Background

The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On October 19, 2017, the Board approved \$180,000 in Challenge Grant Funds to Northcountry Cooperative Foundation's (NCF) NEST Homes Value Gap Program. The funds are to provide value gap and affordability gap to build and place manufactured homes for purchase in Clarks Grove, Fairmont, Lindstrom, and Madelia resident-owned manufactured home parks.

NCF has had difficulty with interest from homebuyers wanting to purchase manufactured homes in the current target areas. NCF has performed a marketing push in spring of 2018 that yielded interest from potential homebuyers; however homebuyers have cited the short list of eligible communities as a barrier to utilizing the program. NCF has completed further market analysis that has supported the feedback from potential homebuyers and suggests that the overall value proposition for manufactured homebuyers is greatest in markets currently ineligible for the program.

Grant Contract Modification

Staff recommends amending Minnesota Housing's contract to allow NCF to expand its target area to any resident-owned manufactured park community in Minnesota. This will expand the target area and increase the number of eligible resident-owned manufactured park communities where homebuyers can purchase manufactured homes.

Item: Approval of Assumption of Low and Moderate Income Rental (LMIR) Loan
- Guardian Angels Apartments, Hastings, MN D2914

Staff Contact(s):

Erin Coons, 651.296.9836, erin.coons@state.mn.us

Request Type:

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|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Approval of the assumption of a Low and Moderate Income Rental (LMIR) loan with the original amount of \$1,688,044 by CB Guardian Angels Holding, LLC (CommonBond Communities).

Fiscal Impact:

None

Meeting Agency Priorities:

- ☐ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Request Summary
- Resolution

Request Summary:

Guardian Angels Apartments is a 30-unit apartment and townhome development located in Hastings, Minnesota with a mix of studio, one, two, and three-bedroom units. Minnesota Housing funded the property with a Low and Moderate Income Rental (LMIR) loan in 2002. The original loan amount was for \$1,688,044, and it has a current outstanding balance of \$1,170,634. Guardian Angels Apartments is owned by Guardian Angels of Hastings, LP with Sherman Associates as the managing member.

Sherman Associates has entered into a purchase agreement with CommonBond Communities to have CB Guardian Angels Holding, LLC purchase the property. As a result of this proposed purchase CommonBond Communities has asked to assume the LMIR loan. Following the acquisition, which, if approved, is expected to occur this summer, 2019, CommonBond Communities intends to pay off the LMIR loan as well as a deferred FFCC loan. This payoff will occur when CommonBond Communities closes on a 9% housing tax credit (HTC) award from Dakota County

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 19-

**RESOLUTION APPROVING MORTGAGE LOAN ASSUMPTION
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to allow the assumption of a Low and Moderate Income Rental (LMIR) loan to be occupied by persons and families of low- and moderate-income, as follows:

Name of Development:	Guardian Angels Apartments
Assumption Entity:	CB Guardian Angels Holding, LLC
Sponsors:	CommonBond Communities
Location of Development:	Hastings, MN
Number of Units:	30
Original Loan Amount:	\$1,688,044
Current Loan Balance:	\$1,170,634

WHEREAS, Agency staff has determined that this application is eligible under program guidelines and thresholds of the Low and Moderate Income Rental (LMIR) Rental Program.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to allow the assumption of the Low and Moderate Income Rental (LMIR) loan for the this development, upon the following terms and conditions:

1. Assumption must occur within six months; and
2. The original terms and conditions of the loan will continue; and
3. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 23rd day of May 2019

CHAIRMAN

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Item: Approval, Grant Extensions and Additional Funding, Housing Trust Fund (HTF) Rental Assistance

Staff Contact(s):

Elaine Vollbrecht, 651.296.9953, elaine.vollbrecht@state.mn.us

Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval of the attached Resolution authorizing new commitments of \$2,000,000 from the Housing Trust Fund (HTF) and extending certain current Housing Trust Fund rental assistance grant agreements for two years. This action will affect rental assistance grant agreements at 18 existing supportive housing developments that collectively have 146 supportive housing units subsidized with HTF rental assistance.

Fiscal Impact:

HTF rental assistance funds are state appropriated resources, with individual awards structured as grants, which do not earn interest for the Agency.

Meeting Agency Priorities:

- ☐ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☒ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Resolution

Background:

HTF rental assistance programs assist income eligible families and individuals who have experienced homelessness, with a priority for serving those having the greatest barriers to housing stability. Rental assistance is provided in partnership with services funded through other sources to help participants achieve housing stability. All HTF rental assistance serves homeless households with incomes at or below 60% of the area median income limits (AMI), with a priority for households at 30% of AMI at initial occupancy. In FY18, over 63 percent of households served were households of color and Hispanic households.

HTF rental assistance was awarded to 18 grantees in October 2017 in the form of site-based rental assistance for supportive housing units in properties that were funded in conjunction with Minnesota Housing capital funding. The term of each of those grants was two years with an initial end date of September 30, 2019.

Staff proposes to extend the term of the 18 HTF rental assistance site-based grants by an additional two years, to September 30, 2021. State law permits an initial grant and its amendments to be up to a maximum of five years. Rental assistance funding for these properties is financial support for units providing permanent supportive housing. Minnesota Housing structured the financing of the developments to be dependent on this rental assistance. The end date of the extended contracts will align with the 2021 HTF Rental Assistance Program request for proposals (RFP) timeline.

Staff also recommends additional funding for 17 of the 18 grants proposed for a term extension in order to continue to provide rental assistance through the extended term. Funds remaining at the end of the current grant term will extend into the next biennium, and these anticipated balances were considered when determining the funding recommendations. One of the grants is expected to need no additional funding, as staff anticipates this grant will have a sufficient balance to provide rental assistance through the extended term. The funding is contingent on legislative approval of the 2020-21 HTF appropriation.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 19-XX

RESOLUTION APPROVING HOUSING TRUST FUND (HTF)
RENTAL ASSISTANCE GRANT EXTENSIONS AND FUNDING AMENDMENTS

WHEREAS, Minnesota Housing Finance Agency (Agency) staff has proposed to extend and provide additional funding for current rental assistance grants for supportive housing developments serving families and individuals who are low income, homeless or long-term homeless.

WHEREAS, Agency staff has determined that the grant extensions are in compliance with the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the grant extensions will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend and amend with additional funding 17 grant agreements, and extend, with no additional funding, one grant agreement, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. Agency staff shall review and approve the following grantees for up to the total recommended amount for up to two (2) years, to September 30, 2021;

D#	Grantee	Property Name	City	2 YR Award
D5835	FMF Housing	Audubon Crossing	Minneapolis	\$ 43,000
D3903	Project for Pride in Living, Inc.	Camden Apartments	Minneapolis	\$ 225,000
D6353	Family Promise Rochester	Cascade Creek	Rochester	\$ 5,000
D3589	Lutheran Social Service of Minnesota	Cedarview Commons and Rivertown Commons	North St. Paul and St. Paul	\$ 352,000
D3813	RADIAS Health	Crane Ordway	St. Paul	\$ 154,000
D5900	The Salvation Army	Crossing at Big Lake	Big Lake	\$ 16,000
D6339	The Salvation Army	The Depot at Elk River	Elk River	\$ 14,000
D6699	Churches United in Ministry	Fire House Flats	Duluth	\$ 11,000
D4082	Central Minnesota Housing Partnership	Grand Oaks Court Townhomes	Baxter	\$ 2,000
D4073	Jeremiah Program	The Jeremiah	St. Paul	\$ 65,000
D1838	Vail Place	Louisiana Court Apartments	St. Louis Park	\$ 294,000

D2151	Indigenous Peoples Task Force	Maynidoowahdak Odena	Minneapolis	\$	240,000
D5960	Amherst H. Wilder Foundation	Minnesota Place	St. Paul	\$	56,000
D6253	New Pathways, Inc.	Normandy Townhomes	Cambridge	\$	71,000
D6194	Project for Pride in Living, Inc.	PPL Scattered Site RA	St. Paul and Minneapolis	\$	357,000
D5208	D. W. Management, Inc.	River Rock Townhomes	Little Falls	\$	64,000
D3874	Commonbond Communities	Vicksburg Commons	Plymouth	\$	31,000
D3863	Hope Community, Inc.	The Wellstone	Minneapolis	\$	No additional funding

2. This approval is contingent on legislative approval of Housing Trust Fund appropriations in sufficient amounts to fund the awards.
3. The issuance of grant extension amendments in form and substance acceptable to Agency staff and the closing of the individual grants shall occur no later than twelve months from the adoption date of this Resolution; and
4. The sponsors and such other parties shall execute all such documents relating to the grants, as the Agency, in its sole discretion, deems necessary.

Adopted this 23rd day of May 2019

CHAIR

Item: Annual Action Plan for FFY 2019

Staff Contact(s):

Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff seeks approval of the State of Minnesota's Annual Action Plan for Federal Fiscal Year 2019. The attached executive summary and selected sections of the plan provide details of the annual goals and objectives for the agency's HOME Investment Partnerships, National Housing Trust Fund (NHTF), and Housing Opportunities for Persons with AIDS (HOPWA) programs.

Fiscal Impact:

The plan includes FFY 2019 allocations and new available funds: \$7,748,270 for HOME, \$3,228,942 for NHTF, and \$224,186 for HOPWA.

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☒ Finance Housing Responsive to Minnesota's Changing Demographics
- ☒ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Public Comments
- AAP Executive Summary, Goals and Objectives

Background

Minnesota Housing, along with the Department of Employment and Economic Development and Department of Human Services, has developed its Annual Action Plan for Federal Fiscal Year (FFY) 2019. The Annual Action Plan provides details of the State's plan for funds received through the US Department of Housing and Urban Development's Community Planning and Development Division, including HOME Investment Partnerships, Housing Opportunities for Persons with AIDS, and the National Housing Trust Fund as received by Minnesota Housing. These plans are required in order to receive these funds.

Minnesota Housing will receive \$7,748,270 in new allocation from the HOME program and anticipates an additional approximately \$3,000,000 in program income from that program to be utilized in FFY 2019. We expect \$3,228,942 in new National Housing Trust Fund (NHTF), and \$224,186 for the HOPWA programs.

We anticipate constructing or rehabilitating 200 units of affordable rental housing with these funds. The HOME program will serve low and moderate income renters while the National Housing Trust Fund will serve, as required, extremely low income renters (with incomes less than 30 percent of area median income). HOME and NHTF will be available through the agency's annual consolidated RFP this spring. In addition to capital financing, the NHTF program may also be used for a small portion of operating cost assistance (as up to 30% of the grant may be used in that manner). Both HOME and NHTF are available state wide.

For HOPWA, we anticipate serving 180 persons, partnering with JustUs to administer short term rent, mortgage, and utility assistance in Greater Minnesota.

The draft AAP was available for public comment April 10 – May 9, 2019. The agency received three written comments on the plan, which are attached in full. In addition, we received one verbal comment during a public hearing on May 7, a summary of that comment is also attached.

Public Comments

From: nwmncoc@bemidjiconsulting.com [<mailto:nwmncoc@bemidjiconsulting.com>]

Sent: Friday, April 12, 2019 11:10 PM

To: Vang, Michelle (DEED) <Michelle.Vang@state.mn.us>

Subject: Feedback on State's 2019 Draft Action Plan to HUD

Hi Michelle,

Thanks for the opportunity to comment.

I believe that one of the biggest barriers to providing services to people experiencing homelessness is the myriad and complex definitions used. HUD's definitions of literal homelessness create barriers for people in extreme weather states like Minnesota, where it is a life and death issue to be homeless on the night of the Point In Time Count in January of each year (HUD mandates the date). Every state funder has a different definition of who is eligible for services. It is overly complicated and creates barriers to providing services. The Minnesota Housing Super RFP High Priority Homeless Definition has to be "dug" for. This also creates challenges during annual homeless counts, including Wilder.

I didn't see a reference in the state plan to the homeless management information system (required by HUD) or the requirement that Victim Service Providers use a comparable HMIS database (but not HMIS). There needs to be funding to support this, including technical assistance on an ongoing basis so that Victim Service Providers can meet the reporting requires to access HUD funds for services. There is a deadline of July 1, 2019 for VSPs to make this transition to a non-HMIS database. It would be helpful if the State plan would reference a funding mechanism to help with this.

There is also an issue of expertise. Minnesota Housing should not be in the business of services...it is simply not their expertise. Please have OEO address all homeless services and let Minnesota Housing focus on housing development, rehab, etc., which is their strength.

I would really like to see the State do some training for small cities and counties to help them understand their potential role in housing development and maintaining and preserving affordable housing. There is currently nothing that supports and encourage city council members, joint planning board members, and county commissioners in their housing roles. It would be great if the NAHRO Conference could include some companion sessions for people in these roles and an incentive for them to attend. I.e. If you attend the NAHRO Conference, developments in your jurisdiction get bonus points on the Minnesota Super RFP...or something to that effect.

Continuums of Care in Minnesota are not fully funded. They get some additional funding from Minnesota Housing, but it is not sufficient and it is not flexible enough to encourage innovation in reaching out to people experiencing homelessness, mainstream partners, schools, and others to create new working relationships to prevent and end homelessness. It would be great if some of the funds available could support CoCs, but again, please have this money administered through OEO and not Minnesota Housing.

Thank you.

Becky

Becky Schueller | She/Her/Hers
Northwest Minnesota CoC Coordinator
“The Northwest MN Collaboration on Housing & Homelessness”
c/o Rebecca Schueller Training & Consulting, LLC
Mail: P.O. Box 1513, Bemidji, MN 56619-1513
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Website: www.homelesstohoused.com

From: Paul Grahovac [<mailto:paul.grahovac@buildsmartna.com>]
Sent: Monday, April 15, 2019 6:27 PM
To: Vang, Michelle (DEED) <Michelle.Vang@state.mn.us>
Cc: jaco0630@umn.edu
Subject: Comment Period and Public Hearing: 2019 Action Plan

Add Passive House points to Low Income Housing Tax Credit program Qualified Allocation Plan (project acceptance criteria) as several States have done. Pennsylvania is leading the way:

“How a Pennsylvania affordable housing agency is making ultra-efficient buildings mainstream”
www.post-gazette.com/business/development/2018/12/31/pa-affordable-housing-tax-credits-pennsylvania-housing-finance-agency-passive-house-design/stories/201812190012

Don’t let supposed high cost prevent this from happening (we are proof panelized Passive House is cost-effective):

“Breakthroughs in modular and prefabrication techniques can now cut construction times in half and shave up to 20 percent from development costs, according to research from the Terner Center for Housing Innovation.” National Conference of State Housing Agencies, www.ncsha.org/washington-reports/washington-report-may-11-2018/

Pennsylvania

QAP: https://www.phfa.org/forms/multifamily_program_notices/qap/2019_and_2020/2019-2020-qap-final.pdf

Paul Grahovac, LEED AP
Build SMART, LLC
3701 Greenway Circle
Lawrence, KS 66046

From: Erickson, Kate (DOC)
Sent: Monday, April 22, 2019 6:56 PM
To: Vang, Michelle (DEED) <Michelle.Vang@state.mn.us>
Subject: Public Comment - Emergency Solutions Grant

Good Evening Michelle –

My comments for the 2019 Action Plan are specific to the Emergency Solutions Grant. The eligibility criteria for ESG prohibits individuals who are released from incarceration with receiving homeless services on the day of their release. This is a fail. Persons who experience homelessness intersect with the criminal justice system on a daily basis. When homeless services fail to serve these individuals reoffending cycles are initiated due to a lack of basic needs. In addition, when as a system we fail to embrace the denominating characteristics of homelessness, we fail to fully address the problem and continue to perpetuate the systemic and institutional racism that threads through the homeless system and the criminal justice system.

A solution to this issue would be to provide homeless service providers with a flexible funding source that would allow them to do their best work with addressing homelessness.

Kate Erickson

Housing Coordinator | Community Based Services

Minnesota Department of Corrections

300 East St. Germain

St. Cloud, Minnesota 56304

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Golden Valley branch of Suburban Hennepin Housing Coalition | Public Comment Made in Person @ Public Hearing on May 8

Comment: The GV branch of SHHC is very concerned about the lack of affordable housing in Golden Valley, and has asked the Golden Valley HRA to look into what other cities do with their levy funds (as they don't currently have a city levy for housing). The most critical need is for housing affordable to incomes at 30% of Area Median Income.

Question/Comment: Regarding the funding from Minnesota Housing, can projects can be bundled together to be more competitive in the Super RFP? Much of the naturally occurring affordable housing (NOAH) is small and would not fare well in a statewide competition for preservation or other funding (as stand-alone project).

Comment: Many of the persons residing in low-income housing in her area have no access to affordable, quality child care. This is a major barrier to work and to caring for their children.

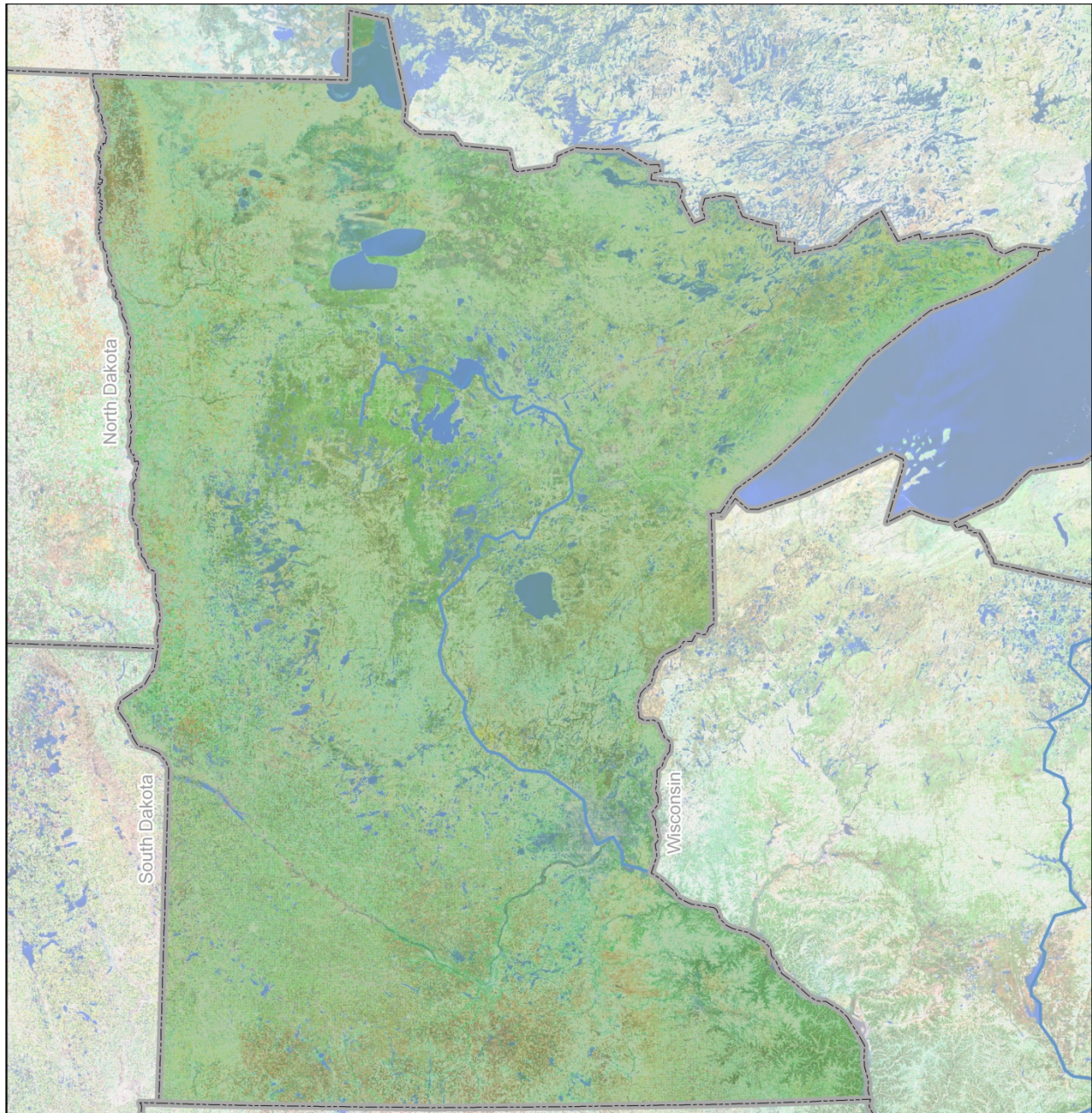
The State should consider requiring new affordable housing developer applications to demonstrate how they will provide for, or attempt to meet the childcare needs of families living in their publicly subsidized housing developments.

Comment: "Reasons for Non-Renewal of Lease" are not not legally defined in Minnesota Landlord/Tenant laws (as are reasons for eviction), and therefore left up to local city ordinances to define what is allowable. There is significant underreporting on non-renewal of leases which causes many problems for low-income families and others.

Comment: Cities need better ways to connect nonprofits or others interested in purchasing and preserving naturally occurring affordable housing with properties that will be coming on the market.

The state or local governments should ensure that nonprofit developers have the right of first refusal (and also enforce rights for affected tenants) before properties are purchased/redeveloped for the higher-end rental market.

MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT 2019



Executive Summary and Selected Sections
for Minnesota Housing Board Meeting 3/23

FINAL: March 23, 2019

Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

Since the U.S. Department of Housing and Urban Development (HUD) has required consolidating the planning, application, reporting, and citizen participation processes for the formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships (HOME), National Housing Trust Fund (NHTF), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The new single-planning process, termed the Consolidated Plan for Housing and Community Development, was intended to more comprehensively fulfill three basic goals: to offer decent housing, to provide a suitable living environment, and to expand economic opportunities. According to HUD, the Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. It offers entitlement communities the opportunity to shape these housing and community development programs into effective, coordinated housing and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort. As the lead agency for the Consolidated Plan for the State of Minnesota, the Minnesota Department of Employment and Economic Development (DEED), in coordination with the Minnesota Housing Finance Agency (Minnesota Housing), and the Department of Human Services (DHS), hereby follows HUD's guidelines for citizen and community involvement. Furthermore, these agencies are responsible for overseeing these citizen participation requirements, those that accompany the Consolidated Plan and the CDBG, HOME, HOPWA, NHTF, and ESG programs, as well as those that complement the DEED planning processes already at work in the state.

2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The strategies of the programs administered by the DEED, Minnesota Housing, and DHS are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low- and moderate-income residents. The agencies strive to accomplish these strategies by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and local government levels, the agencies hope to improve the quality of life for all residents of the state. These strategies are further explained as follows:

- Providing decent housing requires helping homeless persons obtain appropriate housing and assisting those at risk of homelessness, preserving the affordable housing stock, increasing availability of

permanent housing that is affordable to low- and moderate-income persons without discrimination, and increasing the supply of supportive housing.

- Providing a suitable living environment entails improving the safety and livability of neighborhoods, increasing access to quality facilities and services, and reducing the isolation of income groups within an area through integration of low-income housing opportunities.
- Expanding economic opportunities involves creating jobs that are accessible to low- and moderate-income persons, making mortgage financing available for low- and moderate-income persons at reasonable rates, providing access to credit for development activities that promote long-term economic and social viability of the community, and empowering low-income persons to achieve.

3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). This document states the objectives and outcomes identified in the State's last Plan for 2017-2021 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. The past year Consolidated Plan and CAPER can be found at:

<http://mn.gov/deed/government/financialassistance/community-funding/small-cities.jsp> and
<http://www.mnhousing.gov>

4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

As part of the consolidated planning process, the lead agency must consult with a wide variety of organizations in order to gain understanding of the housing and community development stage. This Consolidated Plan represents a collective effort from a broad array of entities in Minnesota including private, non-profit and public organizations, non-entitled communities, county governments, Continuum of Care organizations, and various other state agencies. The public participation process included focus groups, outreach committees, public input sessions, and a Housing and Community Development Needs Surveys.

We notify the public of the availability of the draft in the State Register and through our state social media outlets and eNews listservs, including to organizations that work directly with minorities, non-English speaking persons and persons with disabilities. For example, per our Citizen Participation Plan,

we reach out to a wide network of councils and coalitions focusing on specific populations, including the Council on Asian Pacific Minnesotans, Central Cultural Chicano, CLUES, Council for Minnesotans of African Heritage, Minnesota Council on Latino Affairs, and the Upper Midwest American Indian Center. In addition, our eNews distribution includes an extensive network of providers for persons with disabilities, through the Olmstead Implementation Office currently located at Minnesota Housing. Public comment narratives are attached.

5. Summary of public comments

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

See appendices.

6. Summary of comments or views not accepted and the reasons for not accepting them

No views not accepted.

7. Summary

The 2019 Action Plan has the following goals. These goals will use HOME, ESG, HOPWA, NHTF and CDBG funds.

- Provide Decent Affordable Housing - DEED

Fund housing rehabilitation activities for low to moderate income homeowner and rental households through CDBG funds, DEED

- Enhance Affordable Housing Opportunities - Minnesota Housing

Fund housing activities for low-to-moderate income households, including rehabilitation and new construction of rental housing using HOME and NHTF funds.

- Promote Economic Development - DEED

Encourage robust economic growth through the development and retention of businesses and jobs throughout the State

- Facilitate Housing and Service for the Homeless - Minnesota Housing and Department of Human Services

Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota

- Provide Funds for Special-Needs Housing and Services - Minnesota Housing

Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS

- Address Public Facility Needs - DEED

Address community needs through improvements to public facilities and streetscape.

Expected Resources

AP-15 Expected Resources – 91.320(c)(1,2)

Introduction

The following section describes the annual allocation the State of Minnesota expects to receive for program year 2019 and for the remainder of the Consolidated Plan period 2017-2021. Annual allocation is based on HUD amount received and does not take into consideration deductions for DEED admin and MIF 15% allocation.

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	18,512,875	223,000	11,050,576	29,786,451	30,000,000	Department of Employment and Economic Development(DEED)

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Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	7,748,270	2,000,000	0	9,748,270	10,000,000	Minnesota Housing(MH)(acquisition, multifamily rental new construction and rehab only)

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Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	224,186	0	0	224,186	500,000	Minnesota Housing(STRMU only)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	2,055,825	0	0	2,055,825	0	MIN Dept. of Human Services(DHS)

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Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HTF	public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	3,228,942	0	0	3,228,942	9,000,000	Minnesota Housing(acquisition, multifamily rental new construction and rehab only)

Table 5 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

The HOME match requirement is met through tenant-based rental assistance from Minnesota Housing's Bridges program, which provides a rent subsidy for up to five years to persons with mental illness until they can obtain a permanent rent subsidy; and the State Housing Trust Fund program. The CDBG match will be a mix of private, local, and state resources such as loans from local banks, weatherization funds, Minnesota Housing funds, Rural Development funds that are mostly for city wide public facilities projects. CDBG-Economic Development match is through local initiatives, local banks, owner equity.

ESG match requirements are met two ways depending on the funded activity. For Emergency Shelter programs, DHS has required its sub-recipients to provide eligible matching funds at the sub-recipient level for each dollar requested in ESG funding. To ensure compliance with the requirement, DHS has required identification of matching funds in all sub-recipient contracts as well as a separate ESG Matching certification

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form that follows requirements outlined in the ESG Regulations. Because of the diverse nature of local homelessness program funding, it is not possible to summarize at the State level the exact types and amounts of each funding source, but the most common sources of matching funds include state Family Homelessness Prevention and Assistance Funds (FHPAP), state and HUD Transitional Housing Program funds (for scattered-site programs), Minnesota Community Action Grants, Private Foundations and Individual Donations.

For the ESG Prevention and Rapid Re-Housing providers, DHS has chosen to match ESG funding with state-appropriated Emergency Services Program (ESP), which is entirely used to fund emergency shelter (an eligible activity under ESG match regulations) Providers receiving these ESP funds certify they will be used in compliance with the ESG Regulations and are aware they cannot be used to meet any other match requirements.

Minnesota Housing's HOME and NHTF funds will leverage other agency, private, and low income housing tax credit investment. The NHTF funds will be made available through the agency's Consolidated RFP, which consolidates and coordinates multiple housing resources into one application process. Funding partners include the Metropolitan Council, Department and Employment and Economic Development, Family Housing Fund and Greater Minnesota Housing Fund. Financing opportunities that could be leveraged with NHTF funds include several nonfederal sources through the State of Minnesota:

- Amortizing first mortgages through the State of Minnesota's Low and Moderate Income Rental Program
- Deferred loans through State of Minnesota funded Economic Development and Housing Challenge program
- Deferred loans through the State of Minnesota funded Preservation Affordable Rental Investment Fund
- Housing Investment Bonds through the State of Minnesota

One of Minnesota Housing's selection priorities incorporate a project's ability to leverage other resources: efficient use of scarce resources and leverage.

CDBG will leverage Minnesota Housing Rehab funds such as POHP, RRDL, and single family rehab. In addition, Rural Development and Public Facility Authority funds for public facility projects. Local,EDA, and HRA funds. Private loans through banks.

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Provide Decent Affordable housing-DEED	2017	2021		Non-Entitlement	Low-Moderate Income Renter/Owner Situations	CDBG: \$12,718,254	Rental units rehabilitated: 200 Household Housing Unit Homeowner Housing Rehabilitated: 300 Household Housing Unit
2	Enhance Affordable Housing Opportunities-MH	2017	2021	Affordable Housing	Statewide	Low-Moderate Income Renter/Owner Situations	HOME: \$9,748,270 HTF: \$3,228,942	Rental units constructed: 100 Household Housing Unit Rental units rehabilitated: 100 Household Housing Unit
3	Promote Economic Development	2017	2021	Non-Housing Community Development	Non-Entitlement	Economic Opportunities	CDBG: \$1,958,450	Facade treatment/business building rehabilitation: 75 Business
4	Facilitate Housing and Service for the Homeless	2017	2021	Homeless	Statewide	Homelessness	ESG: \$2,060,135	Tenant-based rental assistance / Rapid Rehousing: 381 Households Assisted Homeless Person Overnight Shelter: 10200 Persons Assisted Homelessness Prevention: 91 Persons Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
5	Provide Funds for Special-Needs Housing & Services	2017	2021	Non-Homeless Special Needs	Statewide	Human Services	HOPWA: \$224,186	Homelessness Prevention: 180 Persons Assisted
6	Address Public Facility-Infrastructure Needs-DEED	2017	2021	Non-Housing Community Development	Non-Entitlement	Public Facilities and Infrastructure	CDBG: \$9,167,200	Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 2000 Households Assisted

Table 6 – Goals Summary

Goal Descriptions

1	Goal Name	Provide Decent Affordable housing-DEED
	Goal Description	Rehabilitation of 300 Owner Occupied and 200 Rental Units through SCDP, DEED funds. Owner-Occupied at \$8,776,225 and Rental at \$3,942,029, with a total of \$12,718,254.
2	Goal Name	Enhance Affordable Housing Opportunities-MH
	Goal Description	<i>Fund housing activities for low-to-moderate income renter households, including rehabilitation and new construction. HOME resources will be used to assist rental units for low-to-moderate income households, while National Housing Trust Fund (NHTF) resources will be used to assist rental units for extremely low income households.</i>
3	Goal Name	Promote Economic Development
	Goal Description	<i>Encourage robust economic growth through the development and retention of businesses throughout the State. ED plans on no activity this year with their 15% allocation. Commercial rehab through SCDP for \$1,958,450 for 75 units.</i>

4	Goal Name	Facilitate Housing and Service for the Homeless
	Goal Description	<i>Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota. For Goal Outcome Indicator #13 (Homeless Person Overnight Shelter) the projected number of persons served includes all programs using ESG and ESG-match funds.</i>
5	Goal Name	Provide Funds for Special-Needs Housing & Services
	Goal Description	<i>Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS</i>
6	Goal Name	Address Public Facility- Infrastructure Needs-DEED
	Goal Description	<i>Address community needs through improvements to public facilities and streetscape with SCDP funds of \$9,167,200 to benefit 2000 low/moderate income households.</i>

AP-25 Allocation Priorities – 91.320(d)

Introduction:

The following section describes the allocation priorities for FY 2019.

Funding Allocation Priorities

	Provide Decent Affordable housing-DEED (%)	Enhance Affordable Housing Opportunities-MH (%)	Promote Economic Development (%)	Facilitate Housing and Service for the Homeless (%)	Provide Funds for Special-Needs Housing & Services (%)	Address Public Facility-Infrastructure Needs-DEED (%)	Total (%)
CDBG	48	0	13	0	0	39	100
HOME	0	100	0	0	0	0	100
HOPWA	0	0	0	0	100	0	100
ESG	0	0	0	100	0	0	100
HTF	0	100	0	0	0	0	100

Table 7 – Funding Allocation Priorities

Reason for Allocation Priorities

Percentages include administration costs. Allocation priorities are based on needs in market study, needs assessment and public input.

CDBG: CDBG spending will be split between affordable housing, economic development and public facilities and infrastructure. These spending priorities have been established through the planning process of where the most need is, as well as the capacity to make an impact on those in need in the State of Minnesota. The amount spent on each category is determined both by past performance and the current ability to meet housing and community development needs in the State. Economic Development funds will be utilized to support the Minnesota Investment Fund Program by providing gap financing to businesses creating jobs that benefit LMI workers.

HOPWA: Federal regulations dictate both the geography in which HOPWA funds may be used and the beneficiaries. Because only 15% of persons living with HIV/AIDS live in counties outside the seven-county Twin Cities metropolitan area and most are already housed, preventing homelessness is a more cost-effective approach than housing development or tenant-based rent assistance.

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NHTF: National Housing Trust Funds will be directed towards efforts to enhance affordable housing opportunities through new construction and rehabilitation. Per statute, and regulations at CFR 24 Part 93, all efforts are directed towards meeting the need of Minnesota's extremely low income households, those earning less than 30 percent of the area's median income.

HOME: Many federally assisted and naturally affordable housing developments need rehabilitation to preserve their federal rent subsidy or affordability of their units. There is a growing need for affordable rental housing. All of the HOME funds will be directed toward enhancing the affordable housing opportunities for low to moderate income households throughout the State.

ESG: The total funds for ESG will be spent on services and housing, including homelessness prevention and emergency shelter, for homeless households and households at-risk of homelessness in the State.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

For CDBG, the distribution of funds address the high needs of low to moderate income households, economic opportunities, and public facilities.

For HOME and NHTF, the Consolidated Plan ranks the low to moderate income households as a high need. There is a high need for rental housing, both preservation of existing and creation of new housing. Funds will be targeted to projects that will serve a range of extremely low to moderate income households in the state.

Minnesota uses its HOPWA resources to maintain persons with HIV/AIDS in their current housing by providing emergency assistance because that is the most pressing need identified for this population.

As outlined in the Consolidated Plan, ESG funds will be used to meet the priority needs of providing emergency shelter, prevention and rapid re-housing to persons at-risk of, and experiencing, homelessness.

Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

Introduction:

The term affordable housing that is used in 24 CFR 92.252, 92.254, 93.302, and 93.304 includes several elements that are not requirements of ESG, HOPWA and CDBG. Therefore, the only units that receive federal assistance that can be assured of meeting the standard of "affordable housing" and are described here are HOME and NHTF units.

One Year Goals for the Number of Households to be Supported	
Homeless	0
Non-Homeless	200
Special-Needs	0
Total	200

Table 11 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Rental Assistance	0
The Production of New Units	100
Rehab of Existing Units	100
Acquisition of Existing Units	0
Total	200

Table 12 - One Year Goals for Affordable Housing by Support Type

Discussion:

For NHTF, the goal is to assist construction or rehabilitation of up to 22 units of rental housing and provide up to 12 units with operating subsidies.

Operating subsidies assume providing assistance for up to fifteen years of the thirty year affordability period. The number may be greater if it is found that less than fifteen years of subsidy is necessary, or less if eligible applications are not received and operating funds are not committed to projects.

Minnesota Housing intends to use operating subsidies only with other NHTF units constructed or rehabilitated.

At an anticipated average per unit capital cost of \$98,000 for supportive housing, Minnesota Housing anticipates completing at least 22 units of housing that is affordable to extremely low-income families. Based on Minnesota Housing's experience of providing operating assistance through the State's

housing trust fund for supportive housing, Minnesota Housing expects average annual operating cost assistance to be \$2,700, which will provide operating assistance for up to 12 NHTF units for 15 years. For HOME, the goal is to assist construction or rehabilitation of approximately 200 units, with average assistance of \$50,000 per unit.

With HOME and NHTF combined, it is anticipated the state will support development or rehabilitation of 200 units of housing with FY 19 resources.

AP-70 HOPWA Goals – 91.320(k)(4)

One year goals for the number of households to be provided housing through the use of HOPWA for:	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	180
Tenant-based rental assistance	0
Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds	0
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
Total	180

AP-75 Barriers to affordable housing – 91.320(i)

Introduction:

The State's programs are heavily weighted toward reducing the financial barriers to affordable housing, but the State recognizes that there are non-financial policy barriers to affordable housing as well. The State does not have control over local land use controls, zoning, permitting, or growth policies; but it can, and does, provide incentives in Minnesota Housing's Consolidated Request for Proposals, which DEED also participates in, to alleviate the barriers to affordable housing those local policies may impose. Actions the State has taken in its Consolidated RFP in the past to reduce regulatory and policy barriers and will likely continue are described below.

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

Containing the cost of developing affordable housing is a critical issue in Minnesota. In order to address the growing need for affordable housing, Minnesota Housing must build and preserve as many affordable units as possible with limited resources. Costs of land, materials and labor are outside of what Minnesota Housing can control; however, cost containment is a goal at Minnesota Housing. Costs are evaluated for each project and overall costs of production are also monitored and evaluated over time. Part of our award process includes incentives for projects with lower total development costs. At the same time, Minnesota Housing balances cost containment objectives with other policy goals, such as long-term operating costs.

Here are some additional examples of how Minnesota Housing reduces other barriers through our process:

- We reduce the barrier of local land use and development policies by prioritizing developments that use land efficiently and minimize the loss of agricultural land and green space,
- We reduce barriers of zoning by prioritizing developments that address the needs of underserved populations that are households of color, single-headed households (primarily women) with minor children, individuals with disabilities, and with developments that are located in opportunity areas.
- We reduce barriers of local application and permit processes by prioritizing developments for which costs are reduced or avoided by regulatory changes, incentives, or waivers by the local governing body, including fast-track permitting and approvals, flexibility in site development standards and zoning requirements, and waiver of permit or impact fees.
- In addition, the State fully supports efforts to reduce NIMBYism, prejudice, and negative attitudes toward affordable and multifamily housing, and will encourage grantees to decrease segregation of populations. The State will also fully support civic leaders and developers who

undertake education in communities statewide. Such education could be targeted, timely, and, in the context of a possible development, relevant to potentially affected citizens.

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Item: Selection, Approval Rental Rehabilitation Deferred Loan (RRDL)
- Waverly Community Homes, Waverly, MN D2949

Staff Contact(s):

Irene Ruiz-Briseno, 651.296.3837, irene.ruiz-briseno@state.mn.us

Dani Salus, 651.294.3178, danielle.salus@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Minnesota Housing staff has completed the underwriting and technical review of the proposed development and requests the adoption of a resolution authorizing selection and approval of a Rental Rehabilitation Deferred Loan (RRDL) in an amount up to \$300,000. This includes a request to waive the requirement to structure the RRDL as an End Loan and to waive the requirement to structure the RRDL with a 30-year term as outlined in the terms and conditions of Minnesota Housing's Rental Rehabilitation Deferred Loan Pilot (RRDL) Program Guide.

Fiscal Impact:

The RRDL program uses state appropriated resources, with individual awards structured as deferred loans at 0%, which earn no interest for the Agency.

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☒ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Development Summary
- Resolution

Program Background:

The Rental Rehabilitation Deferred Loan Pilot Program was approved by Minnesota Housing's board in October 2011. The program provides loans to owners of affordable rental housing developments in Greater Minnesota who have limited access to other financing and are not competitive in Minnesota Housing's annual Multifamily Consolidated Request for Proposals (RFP). RRDL funds are used to make necessary improvements to correct health and safety items, increase energy efficiency, and prevent future deterioration, thereby preserving affordable rental housing stock.

Project Summary and Scope of Work:

Waverly Community Homes is a rehabilitation project. The proposed scope of work includes upgrades that will improve and maintain the quality of the property for an additional 20 years. The 20 year term is being recommended in order to structure the loan coterminous with the 20 year re-amortization of the development's USDA Rural Development first mortgage. Additionally, staff recommends that the loan be structured as a Construction Loan, which will allow the project to be completed and closed faster, and allow for more funds to be used for hard costs versus additional soft costs and construction interest.

Development Summary:

Development:	D2949
Application:	M20170
Name:	Waverly Community Homes
Address:	902-904 Elm Avenue
City:	Waverly
County:	Wright
Region:	Central

Mortgagor:

Ownership Entity:	Central Minnesota Housing Partnership
General Partners/Principals:	N/A

Development Team:

General Contractor:	KUE Contractors, Inc.
Architect:	N/A
Attorney:	N/A
Management Company:	Central Minnesota Housing Partnership
Service Provider:	N/A

Current Funding Request/Program and Terms:

Amount and Program:	\$300,000 Rental Rehabilitation Deferred Loan
Funding Source:	State appropriations
Interest Rate:	0%
Term (Years):	20

RENT GRID:

UNIT TYPE	NUMBER	GROSS RENT	AGENCY LIMIT
One Bedroom	4	\$ 435	\$ 1,062
Two Bedroom	8	\$ 450	\$ 1,273
Two Bedroom	4	\$ 465	\$ 1,062
TOTAL	16		

Nine of sixteen units are assisted by United States Department of Agriculture (USDA) Section 515 rental assistance, which limits the tenant-paid rents to 30 percent of the household's income; RRDL will require that the rental assistance remain in place for the term of the loan.

NOTE: Under RRDL, all units will be restricted to 80% of the greater of state or area median income (AMI) for a family of four, not adjusted for family size.

Purpose of Property:

Waverly Community Homes is a 16-unit development consisting of two two-story buildings located in the city of Waverly, Minnesota. Nine of sixteen units are assisted by USDA Section 515 rental assistance. The development meets the strategic priority of preserving federally assisted units. RRDL will be used to rehabilitate the property.

Populations Served:

This development is general occupancy/family housing. Population figures for the census tract indicate a population growth of 11 percent (280 households added from 2010-2017). The percentage of renters that are cost burdened is 37 percent and 20 percent of renter households are below the poverty line.

Project Feasibility:

The project is feasible as proposed. Development financing includes owner equity in the amount of \$9,000 and a \$300,000 RRDL from Minnesota Housing. The development cash flows at the proposed rent levels, and the project is consistent with program underwriting guidelines.

Development Team Capacity:

Central Minnesota Housing Partnership (CMHP) was established in 1993 as a regional non-profit 501(c)(3). Staff has the training and experience needed to successfully own and continue to manage Waverly Community Homes. Their portfolio consists of a mix of Section 8, USDA Rural Development, and housing tax credit unit developments located in central Minnesota.

Physical and Technical Review:

KUE Contractors, Inc. is the selected general contractor and has the capacity to effectively rehabilitate the project. They have successfully completed other affordable housing developments in partnership with CMHP. Minnesota Housing staff has inspected the property and reviewed the scope of work and has determined that the property is well-maintained overall and the proposed scope of work is acceptable. The scope of work includes exterior site work, including: grading and drainage corrections, replacement of decks and ramps; unit improvements, including: kitchen and bathroom upgrades, additional attic insulation, and water heater replacement. Energy efficiency and water conservation measures are incorporated throughout the scope, including low-flow plumbing fixtures/faucets, LED lighting, and Energy Star bath exhaust fans.

Market Feasibility:

Waverly is located in central Minnesota in Wright County. CoStar data shows a vacancy rate of 4.6 percent for Waverly and the nearby communities of Howard Lake and Montrose. Waverly Community Homes is the only general occupancy rental housing with project-based rental assistance in the community.

DEVELOPMENT COST SUMMARY:

	Total	Per Unit
Total Development Cost	\$309,000	\$19,313
Rehabilitation	\$239,467	\$14,967
General Requirements/Contractor	\$36,015	\$2,251
Overhead and Profit		
Soft Costs and Contingency	\$33,518	\$2,095
 Agency Deferred Loan Sources		
Rental Rehabilitation Deferred Loan	\$300,000	\$18,750
 Other Non-agency Sources		
Owner Equity	\$9,000	\$563
 Total Non-agency Sources	\$9,000	\$563

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 19-XX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
RENTAL REHABILITATION DEFERRED LOAN PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide a Rental Rehabilitation Deferred Loan for a multiple unit housing development to be occupied by persons and families of low- and moderate-income, as follows:

Name of Development:	Waverly Community Homes
Sponsors:	Central Minnesota Housing Partnership
Location of Development:	Waverly, MN
Number of Units:	16
Amount of Development Cost:	\$309,000
Amount of RRDL Mortgage:	\$300,000

WHEREAS, Agency staff has determined that such application is eligible under the program guidelines and thresholds of the Rental Rehabilitation Deferred Loan program.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a selection and approval letter to provide a Rental Rehabilitation Deferred Loan funded by state appropriations to said applicant for the indicated development, upon the following terms and conditions:

1. The amount of the loan shall not exceed \$300,000;
2. The interest rate of the loan shall be 0 percent;
3. The RRDL Specific Project requirement of a 30-year term will be waived and the term of the loan shall be 20 years;
4. The RRDL Specific Project requirement of an End Loan structure will be waived and the loan shall be structured as a Construction Loan;
5. The loan closing must occur within 12 months of the date of this Resolution;
6. The proposed rehab work must be completed within 18 months of the loan closing and any funds not used by the end of this period shall be determined to be unneeded and ineligible for disbursement;
7. The mortgagor shall agree with the terms set forth in Minnesota Housing's Rental Rehabilitation Deferred Loan Program Guide; and

8. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 23rd day of May 2019

CHAIRMAN

Item: Manufactured Home Loan Commitment, Sungold Heights

Staff Contact(s):

Tresa Larkin, 651.284.3170, tresa.larkin@state.mn.us
Rachel Robinson, 651.297.3125, Rachel.robinson@state.mn.us
Kevin Carpenter, 651.297.4009, Kevin.carpenter@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff is requesting Board authorization for a deferred loan commitment to finance infrastructure improvements for Sungold Heights, a manufactured home community in Worthington, MN.

Fiscal Impact:

This commitment is for an anticipated deferred forgivable loan on which the Agency will not earn interest.

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☒ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Resolution

Background:

Sungold Heights is a 106 site manufactured home park in Worthington, Minnesota. The project has been privately owned since its development in the 1970s. NorthCountry Cooperative Foundation (NCF) has been working with the residents of the park who are primarily monolingual in Spanish, Karen and Lao, to form a cooperative to purchase, own and manage the park. A purchase agreement with the current owner to acquire the site with financing through ROC USA has been signed with a closing anticipated in June 2019.

In conjunction with the acquisition, Minnesota Housing is being asked to make a deferred, forgivable loan of up to \$1 million to the new owners to finance a variety of infrastructure improvements including sanitary sewers, water mains, street work and electric power distribution at the park. These improvements have been identified as necessary improvements by a third party property condition assessment, which has been reviewed by Agency staff. These improvements will benefit the park residents and ensure that the park infrastructure that services the homes remains habitable and viable for long-term use.

The Agency has authority under statute to provide “financial assistance for the conversion of manufactured home parks to cooperative or nonprofit ownership.” Minn. Stat. § 426A.05, subd. 35. This loan will allow the residents of Sungold Heights the opportunity to remain housed in their community where they are established and facilitate the conversion of the park to cooperative ownership. The infrastructure improvements will facilitate the conversion of the park to cooperative ownership and benefit the low and moderate income families currently living in the park.

The current request is for the Board to approve a commitment of a deferred loan for infrastructure improvements at the manufactured home park. The commitment is subject to further underwriting by Agency staff and final approval by the Board of any conditions recommended by staff and the source of funds.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 19-XXX

RESOLUTION APPROVING COMMITMENT OF A MANUFACTURED HOME LOAN

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to provide a deferred forgivable loan to a manufactured home development to be occupied by persons and families of low- and moderate-income, as follows:

Name of Development:	Sungold Heights
Location of Development:	Worthington
Number of Units:	106
Amount of Loan Commitment (up to):	\$1,000,000

WHEREAS, Agency staff has determined that such project is eligible for a commitment under the Agency's statute; that such loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the financing of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a deferred, forgivable loan to this manufactured home development for infrastructure improvements.

THAT, the commitment is subject to final underwriting approval and such conditions as staff may impose pursuant to the underwriting process.

THAT, prior to closing, the development will be presented to the Board for final approval of conditions and source of funds.

Adopted this 23 day of May 2019

CHAIRMAN

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Board Agenda Item: 8.A
Date: 5/23/2019

Item: 2019 Legislative Session

Staff Contact(s):

Dan Kitzberger, 651.296.3706, dan.kitzberger@state.mn.us

Ryan Baumtrog, 651.296.8920, ryan.baumtrog@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

The 2019 regular legislative session will conclude on Monday, May 20. Staff will provide an update of legislative actions at the board meeting.

Fiscal Impact:

To be shared at the meeting.

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☒ Finance Housing Responsive to Minnesota's Changing Demographics
- ☒ Preserve Housing with Federal Project-Based Rent Assistance
- ☒ Prevent and End Homelessness
- ☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Will be provided at the meeting

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Board Agenda Item: 8.B

Date: 5/23/2019

Item: 3rd Quarter FY2019 Financial Reporting Package

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Terry Schwartz, 65-296-2404, terry.schwartz@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff will review 3rd quarter financial results.

Fiscal Impact:

None.

Meeting Agency Priorities:

- ☐ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Noteworthy Items
- Financial Dashboard
- Selected Financial Statements
- 3rd Quarter Fiscal Year 2019 Operating results

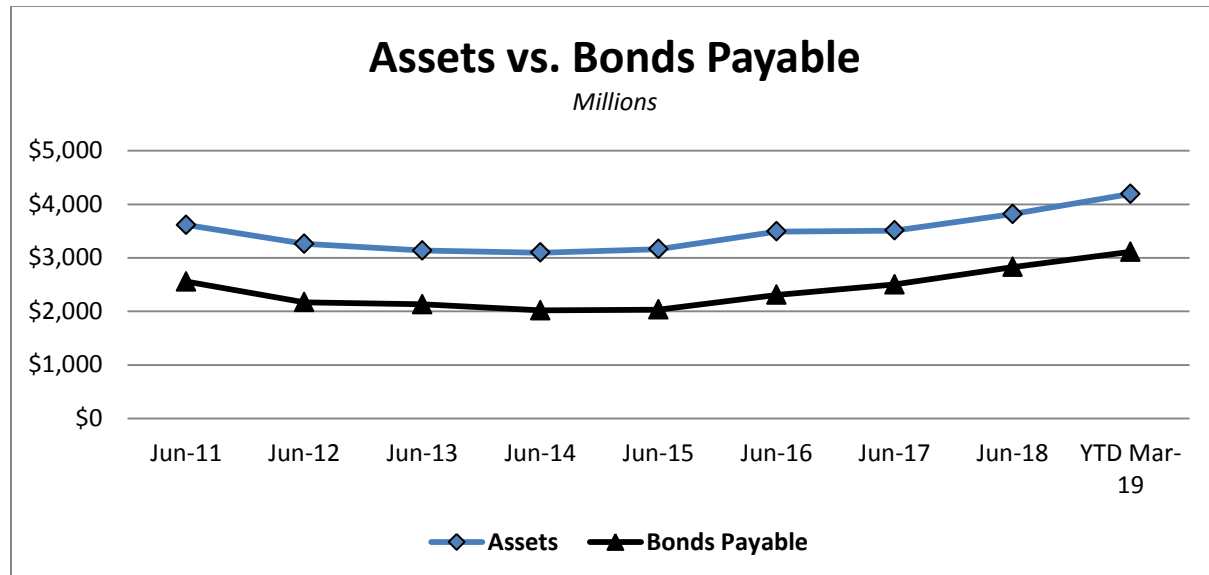
**Minnesota Housing Finance Agency
FY 2019 3rd Quarter Financial Results
Noteworthy Items**

Consolidated Balance Sheet – 3/31/19 vs. 3/31/18

Assets continue to grow and are up \$458 million over one year ago. We continue to recognize substantial growth in the Mortgage-Backed Securities (MBS) portfolio and a slight increase in cash and investments, offset by a modest decline in loans.

Single family loans continue to run off as new production is securitized into MBS.

The bonds payable liability increased by \$383 million over one year ago, primarily due to continued bond financing of our strong homeownership production.

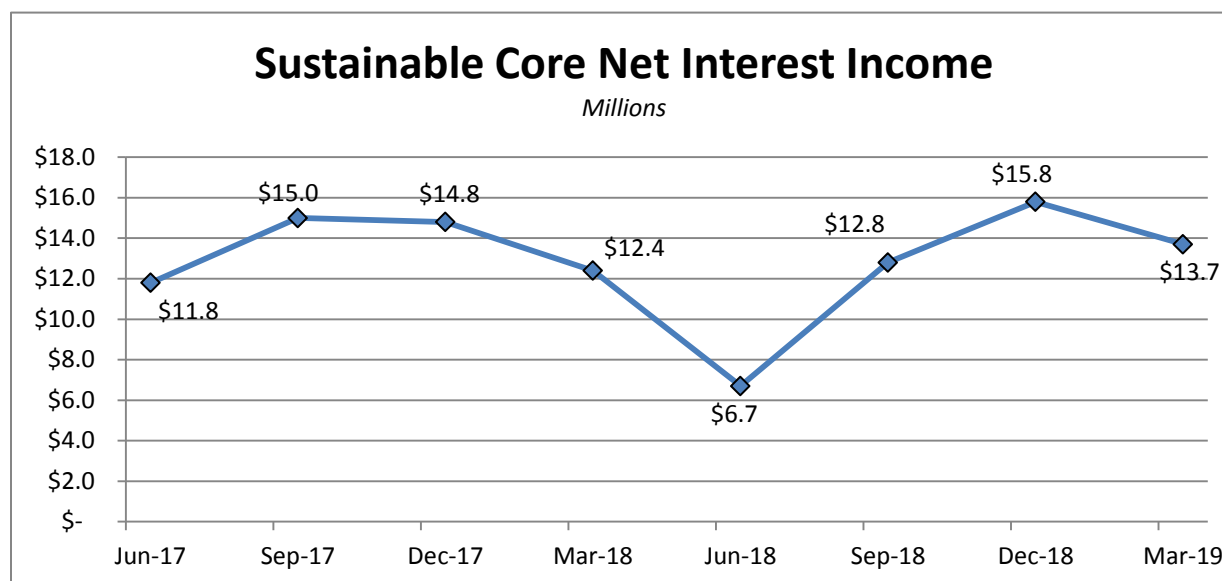


Operating Results – 9 months FY 19 vs. 9 months FY 18

In the Sustainable Core, Net Interest Income was \$42.3 million YTD FY19, flat compared to YTD FY18.

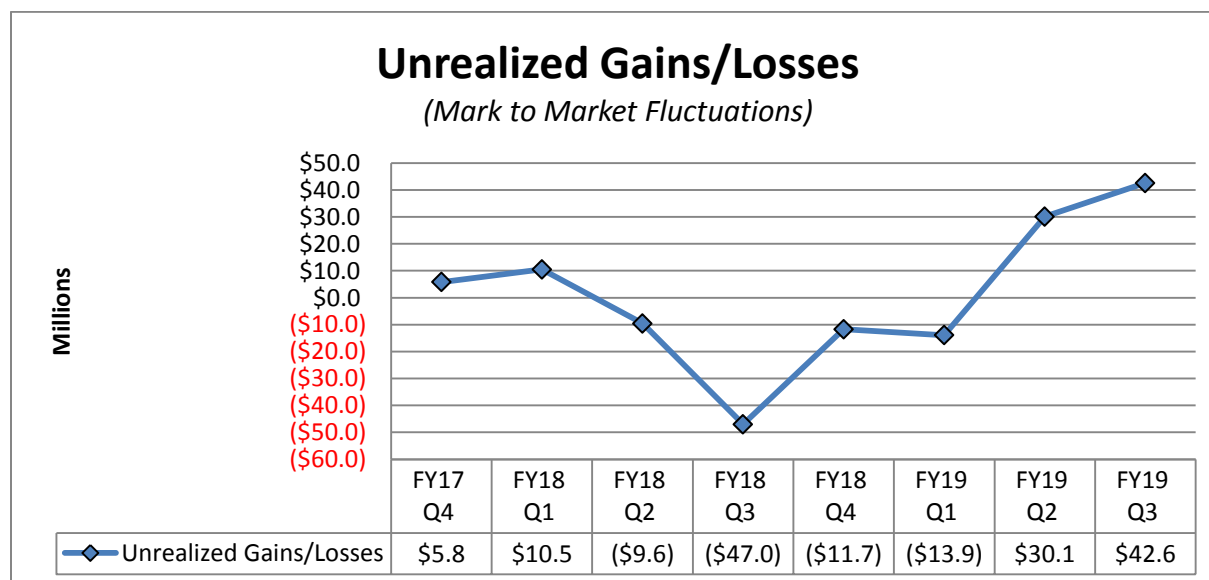
Total interest revenue for the 3rd quarter hit \$35.7 million, up from \$34.5 million in the 2nd quarter this year and up \$12.0 million YTD from the FY18 YTD.

Interest expense was \$22 million, up from \$18.7 million in 2nd quarter, and up by \$12.1 million YTD compared YTD FY18. Most of the volatility in quarterly interest expense is attributable to the accounting rules pertaining to the expense recognition of bond premium in new bond sales.



Sustainable Core operating expenses were \$9.7 million for the quarter, up from \$9.0 million in the 2nd quarter FY 19, and up \$1.2 million over Q3 FY 18. Year-over-year, for the 9 month periods, operating expenses are up by roughly \$2.4 million (10%).

Also booked a \$42.6 million unrealized gain on the MBS portfolio in the quarter, following a \$30 million unrealized gain in the second quarter. On a year-to-date basis, Agency has taken a \$59 million unrealized gain in FY 19, vs. a \$48 million unrealized loss in FY 2018. Quarterly fluctuations in this line will continue as the mark-to-market impact of our fixed rate MBS in various interest rate environments is recognized.



BALANCE SHEET*
Quarterly Financial Dashboard - Selected Reporting
As of March 31, 2019- (\$ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago **	Change From Year Ago
CONSOLIDATED					
Total Assets	4,192.7	4,133.3	59.4	3,734.4	458.3
<i>Program Securities</i>	2,473.3	2,417.9	55.4	2,037.8	435.5
<i>Loans, net</i>	969.6	973.2	(3.6)	1,017.1	(47.5)
<i>Other investments and cash</i>	726.5	719.1	7.4	674.5	52.0
Total Liabilities	3,315.1	3,287.9	27.2	2,926.9	388.2
Net Position					
<i>restricted by Resolution</i>	387.6	345.5	42.1	331.2	56.4
<i>restricted by Covenant</i>	477.5	474.5	3.0	476.0	1.5
<i>restricted by Law</i>	166.5	177.6	(11.1)	167.2	(0.7)
<i>unrestricted - State Appr-Backed Debt</i>	(160.8)	(160.8)	0.0	(140.9)	(19.9)
<i>other</i>	4.4	4.1	0.3	4.8	(0.4)
Total Net Position	875.2	840.9	34.3	838.3	36.9
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	3,998.2	3,922.5	75.7	3,551.9	446.3
Net Position	869.5	824.1	45.4	811.9	57.6
SUSTAINABLE CORE					
Total Assets	3,890.4	3,812.5	77.9	3,452.4	438.0
<i>Program Securities</i>	2,473.3	2,417.9	55.4	2,037.8	435.5
<i>Loans, net</i>	849.2	856.1	(6.9)	912.2	(63.0)
<i>Other investments & cash</i>	545.2	516.1	29.1	478.9	66.3
Total Liabilities	3,126.3	3,093.7	32.6	2,778.8	347.5
<i>Bonds payable, net</i>	2,950.0	2,916.0	34.0	2,587.2	362.8
Net Position	761.7	714.4	47.3	704.3	57.4

* Assets and liabilities do not include deferred inflows/outflows

** As restated for State appropriated debt liability

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of March 31, 2019- (\$ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	136.9	126.9	10.0	394.6	286.5	108.1
Expenses	102.5	101.2	1.3	297.4	289.5	7.9
Net	34.4	25.7	8.7	97.2	(3.0)	100.2
SUSTAINABLE CORE						
Interest revenue	35.7	34.5	1.2	102.7	90.7	12.0
Other revenue	10.7	13.6	(2.9)	35.4	31.3	4.1
Unrealized gain (loss)	42.6	30.1	12.5	59.0	(47.9)	106.9
TOTAL REVENUE	89.0	78.2	10.8	197.1	74.1	123.0
Interest Expense	22.0	18.7	3.3	60.4	48.3	12.1
Operating Expenses(1)	9.7	9.0	0.7	26.2	23.8	2.4
Other Expenses	10.1	8.6	1.5	27.5	22.9	4.6
TOTAL EXPENSE	41.8	36.3	5.5	114.1	95.0	19.1
Revenue over Expense	47.2	41.9	5.3	83.0	(20.9)	103.9
Net Interest Income	13.7	15.8	(2.1)	42.3	42.4	(0.1)
<i>Annualized Net Interest Margin(2)</i>	<i>1.42%</i>	<i>1.70%</i>		<i>1.52%</i>	<i>1.66%</i>	

(1) Salaries, benefits and other general operating

(2) Annualized Net Interest Income/Average assets for period

Assets

	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMEs SM	State Appropriated	Federal Appropriated	Total as of March 31, 2019	Total as of March 31, 2018
Cash and cash equivalents	51,027	\$ 23,346	\$ 141,977	\$ 36,546	\$ 1,530	\$ -	\$ 36,324	\$ 14,912	\$ 305,662	\$ 422,888
Investments-program mortgage-backed securities	-	-	861,415	1,611,860	-	-	-	-	2,473,275	2,037,781
Investment securities-other	43,637	21,524	236,386	-	-	17,310	101,993	-	420,850	231,593
Loans receivable, net	-	139,307	775,737	-	13,801	-	40,770	-	969,615	1,017,050
Interest receivable on loans and program mortgage-backed securities	-	593	5,933	5,097	50	-	22	-	11,695	10,562
Interest receivable on investments	114	116	1,061	52	3	44	254	16	1,660	1,294
Interest rate swap agreements	-	-	91	-	-	-	-	-	91	2,236
FHA/VA insurance claims, net	-	-	646	-	-	-	-	-	646	1,492
Real estate owned, net	-	-	1,916	-	-	-	-	-	1,916	1,968
Capital assets, net	4,394	-	-	-	-	-	-	-	4,394	4,776
Other assets	2,226	7	449	8	-	-	-	170	2,860	2,769

Total assets

Deferred Outflows of Resources

Deferred loss on refunding	-	-	69	-	-	-	-	-	69	102
Deferred loss on interest rate swap agreements	-	-	5,115	-	-	-	-	-	5,115	1,665
Deferred pension expense	38,618	-	-	-	-	-	-	-	38,618	53,275
Total deferred outflows of resources	38,618	-	5,184	-	-	-	-	-	43,802	55,042

Total assets and deferred outflows of resources

Liabilities

Bonds payable, net	\$ -	\$ 44,435	\$ 1,295,565	\$ 1,579,355	\$ 13,540	\$ 17,132	\$ 180,835	\$ -	\$ 3,110,862	\$ 2,728,116
Interest payable	-	230	9,842	4,971	34	44	-	-	15,121	13,889
Interest rate swap agreements	-	-	5,115	-	-	-	-	-	5,115	1,665
Net pension liability	47,879	-	-	-	-	-	-	-	47,879	76,077
Accounts payable and other liabilities	3,453	6,243	28,610	74	-	-	8	174	38,388	23,395
Interfund payable (receivable)	(20,515)	-	19,568	-	-	-	-	-	-	-
Funds held for others	68,539	-	2,000	-	-	178	27,001	3	97,721	83,804
Total liabilities	99,356	50,908	1,360,700	1,584,400	13,574	17,354	188,617	177	3,315,086	2,926,946

Deferred Inflows of Resources

Deferred gain on interest rate swap agreements	-	-	91	-	-	-	-	-	91	2,236
Deferred revenue-service release fee	-	-	10,502	7,883	-	-	-	-	18,385	16,518
Deferred pension credit	27,699	-	-	-	-	-	-	-	27,699	5,554
Total deferred inflows of resources	27,699	-	10,593	7,883	-	-	-	-	46,175	24,308

Total liabilities and deferred inflows of resources

Commitments and contingencies

Net Position

Restricted by bond resolution	-	133,985	190,573	61,280	1,810	-	-	-	387,648	331,171
Restricted by covenant	8,567	-	468,929	-	-	-	-	-	477,496	475,965
Restricted by law	-	-	-	-	-	-	151,581	14,921	166,502	167,190
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	(160,835)	-	(160,835)	(140,905)
Invested in capital assets	4,394	-	-	-	-	-	4,394	-	4,394	4,776
Total net position	12,961	133,985	659,502	61,280	1,810	-	(9,254)	14,921	875,205	838,197

Total liabilities, deferred inflows of resources, and net position

This information on the funds of the Agency for the nine-month period ended March 31, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the nine-month period ended March 31, 2019, subject to year-end adjustments. However, this presentation excludes financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

Statement of Revenues, Expenses and Changes in Net Position (in thousands)

Proprietary Funds													
Nine Months Ended March 31, 2019 (with comparative totals for Nine Months Ended March 31, 2018)													
Revenues													
General Reserve	Rental Housing	Resi- dential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	State Appro- priated	Federal Appro- priated	Total for the Nine Months Ended March 31, 2019	Total for the Nine Months Ended March 31, 2018				
\$ -	\$ 5,396	\$ 29,449	\$ -	\$ 457	\$ -	\$ 248	\$ -	\$ 35,550	\$ 39,931				
-	-	17,789	39,980	-	-	-	-	57,769	45,207				
506	817	8,529	443	23	418	2,367	183	13,286	9,099				
-	-	3,541	-	-	-	-	-	3,541	1,773				
-	-	-	-	-	-	53,206	139,842	193,048	207,716				
20,482	-	-	-	-	-	-	-	20,482	18,286				
8,799	124	1,830	920	-	-	331	-	12,004	13,103				
-	908	30,432	27,728	-	-	(112)	-	58,956	(48,657)				
29,787	7,245	91,570	69,071	480	418	56,040	140,025	394,636	286,458				
Expenses													
-	941	25,026	33,721	308	418	-	-	60,414	48,335				
-	6	2,302	4,446	-	-	-	-	6,754	5,190				
-	58	1,987	398	4	-	72	-	2,519	2,771				
-	834	9,760	6,849	70	-	2,367	-	19,880	17,347				
20,427	-	-	-	-	-	-	-	20,427	19,475				
4,668	4	3,074	28	-	-	1,428	-	9,202	7,081				
-	-	-	-	-	-	24,559	136,180	160,739	175,113				
-	-	684	-	-	-	13,758	-	14,442	13,243				
-	(26)	2,438	-	(1)	-	656	-	3,067	958				
25,095	1,817	45,271	45,442	381	418	42,840	136,180	297,444	289,513				
4,692	5,428	46,299	23,629	99	-	13,200	3,845	97,192	(3,055)				
Other changes													
(6,350)	(14,966)	5,923	15,393	-	-	(19,943)	-	(19,943)	(7,920)				
(1,658)	(9,538)	52,222	39,022	99	-	(6,743)	3,845	77,249	(10,975)				
14,619	143,523	607,280	22,258	1,711	-	(2,511)	11,076	797,956	849,172				
\$ 12,961	\$ 133,985	\$659,502	\$ 61,280	\$ 1,810	\$ -	\$ (9,254)	\$ 14,921	\$ 875,205	\$ 838,197				

This information on the funds of the Agency for the nine-month period ended March 31, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the nine-month period ended March 31, 2019, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

Total net position, beginning of period adjusted to GASB 68.
See accompanying notes to financial statements.

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This information on the funds of the Agency for the nine-month period ended March 31, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the nine-month period ended March 31, 2019, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

Minnesota Housing Finance Agency
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve & Bond Funds
Nine Months Ended March 31, 2019 (with comparative totals for the nine months ended March 31, 2018)

	General Reserve	Bond Funds					General Reserve & Bond Funds		General Reserve & Bond Funds		Residential Finance Pool 3		General Reserve & Bond Funds		Residential Finance Pool 3		General Reserve & Bond Funds	
		Residential Housing		Homeownership Finance		HOMES SM	Multifamily Housing Bonds		Total for Nine Months Ended March 31, 2019	Total for Nine Months Ended March 31, 2018	Housing Finance Pool 3		Total for Nine Months Ended March 31, 2019	Total for Nine Months Ended March 31, 2018	Housing Finance Pool 3		Total for Nine Months Ended March 31, 2019	Total for Nine Months Ended March 31, 2018
		Rental Housing	Bonds	Pool 2	Bonds		Bonds											
Revenues																		
Interest earned on loans	\$ -	5,396	\$ 17,274	\$ 11,736	\$ -	-	\$ 457	\$ -	34,863	38,701	\$ -	439	\$ -	35,302	\$ -	439	\$ 39,118	\$ 45,207
Interest earned on investments-program mortgage-backed securities	-	-	17,789	-	39,980	-	-	-	57,769	45,207	-	-	57,769	57,769	-	-	57,769	45,207
Interest earned on investments-other	506	817	2,433	5,483	443	-	23	418	10,123	6,829	-	613	10,736	10,736	-	613	7,453	7,453
Net G/L on Sale of MBS Held for Sale/HOMES SM Certificate	-	-	-	3,541	-	-	-	-	3,541	1,773	-	-	-	3,541	-	-	1,773	1,773
Appropriations received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative reimbursement	20,482	-	-	-	-	-	-	-	20,482	18,286	-	-	20,482	20,482	-	-	18,286	18,286
Fees earned and other income	8,799	124	534	1,036	920	-	-	-	11,413	11,229	-	260	11,673	11,673	-	260	11,373	11,373
Unrealized gains (losses) on Investments	-	908	16,404	13,910	27,728	-	-	-	58,950	(47,921)	-	118	59,068	59,068	-	118	(48,357)	(48,357)
Total revenues	29,787	7,245	54,434	35,706	69,071	-	480	418	197,141	74,104	-	1,430	198,571	198,571	-	1,430	74,853	74,853
Expenses																		
Interest	-	941	23,413	1,613	33,721	-	308	418	60,414	48,335	-	-	60,414	60,414	-	-	48,335	48,335
Financing, net	-	6	2,289	13	4,446	-	-	-	6,754	5,190	-	-	6,754	6,754	-	-	5,190	5,190
Loan administration and trustee fees	-	58	1,209	763	398	-	4	-	2,432	2,693	-	15	2,447	2,447	-	15	2,704	2,704
Administrative reimbursement	-	834	6,033	2,695	6,849	-	70	-	16,481	14,829	-	1,032	17,513	17,513	-	1,032	15,811	15,811
Salaries and benefits	20,427	-	-	-	-	-	-	-	20,427	19,475	-	-	20,427	20,427	-	-	19,475	19,475
Other general operating	4,668	4	25	1,098	28	-	-	-	5,823	4,331	-	1,951	7,774	7,774	-	1,951	5,969	5,969
Appropriations disbursed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	100	-	-	-	-	100	(55)	-	-	684	684	-	-	742	742
Provision for loan losses	-	(26)	(28)	1,729	-	-	(1)	-	1,674	215	-	737	2,411	2,411	-	737	643	643
Total expenses	25,095	1,817	32,941	8,011	45,442	-	381	418	114,105	95,013	-	4,319	118,424	118,424	-	4,319	98,869	98,869
Other changes	4,692	5,428	21,493	27,695	23,629	-	99	-	83,036	(20,909)	-	(2,889)	80,147	80,147	-	(2,889)	(24,016)	(24,016)
Non-operating transfer of assets between funds	(6,350)	(14,966)	18,060	(12,137)	15,393	-	-	-	-	(602)	-	-	-	-	-	-	-	-
Change in net position	(1,658)	(9,538)	39,553	15,558	39,022	-	99	-	83,036	(21,511)	-	(2,889)	80,147	80,147	-	(2,889)	(24,016)	(24,016)
Net Position																		
Total net position, beginning of period	14,619	143,523	151,020	345,520	22,258	-	1,711	-	678,651	725,833	-	110,740	789,391	789,391	-	110,740	835,928	835,928
Total net position, end of period	\$ 12,961	\$ 133,985	\$ 190,573	\$ 361,078	\$ 61,280	-	\$ 1,810	\$ -	\$ 761,687	\$ 704,322	-	\$ 107,851	\$ 869,538	\$ 869,538	-	\$ 107,851	\$ 811,912	\$ 811,912

This information on the funds of the Agency for the nine-month period ended March 31, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the nine-month period ended March 31, 2019 subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

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Board Agenda Item: 8.C
Date: 5/23/2019

Item: Strategy Discussion: Housing Market

Staff Contact(s):

John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

As we prepare our 2020-23 Strategic Plan, staff would like to discuss with the Board some broader strategic issues over the next several months. This month we have prepared a short presentation on the housing market and the need to increase overall housing production. As a preview, we have attached the slide deck that we will present.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☒ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☒ Prevent and End Homelessness
- ☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

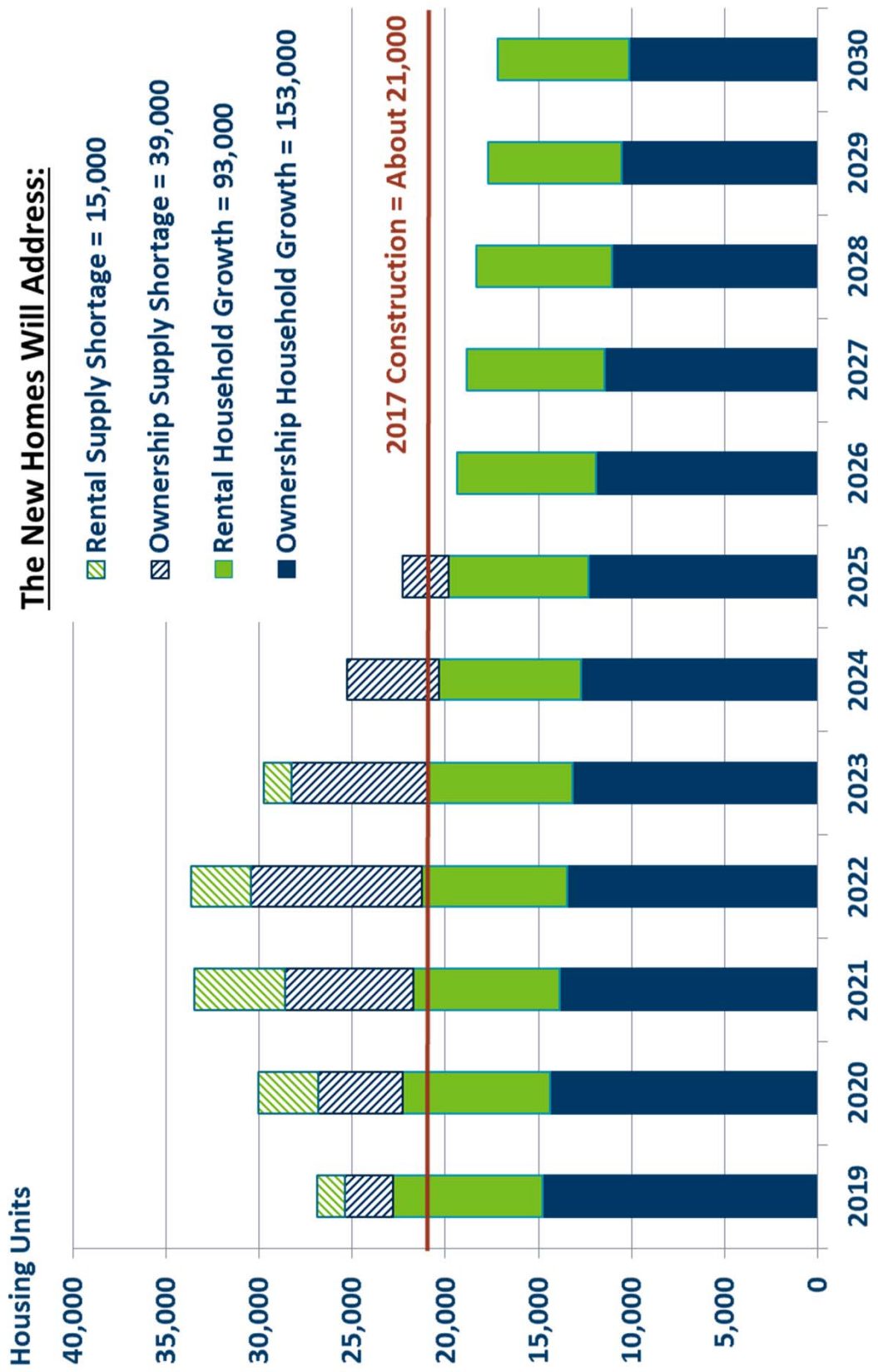
- Housing Market



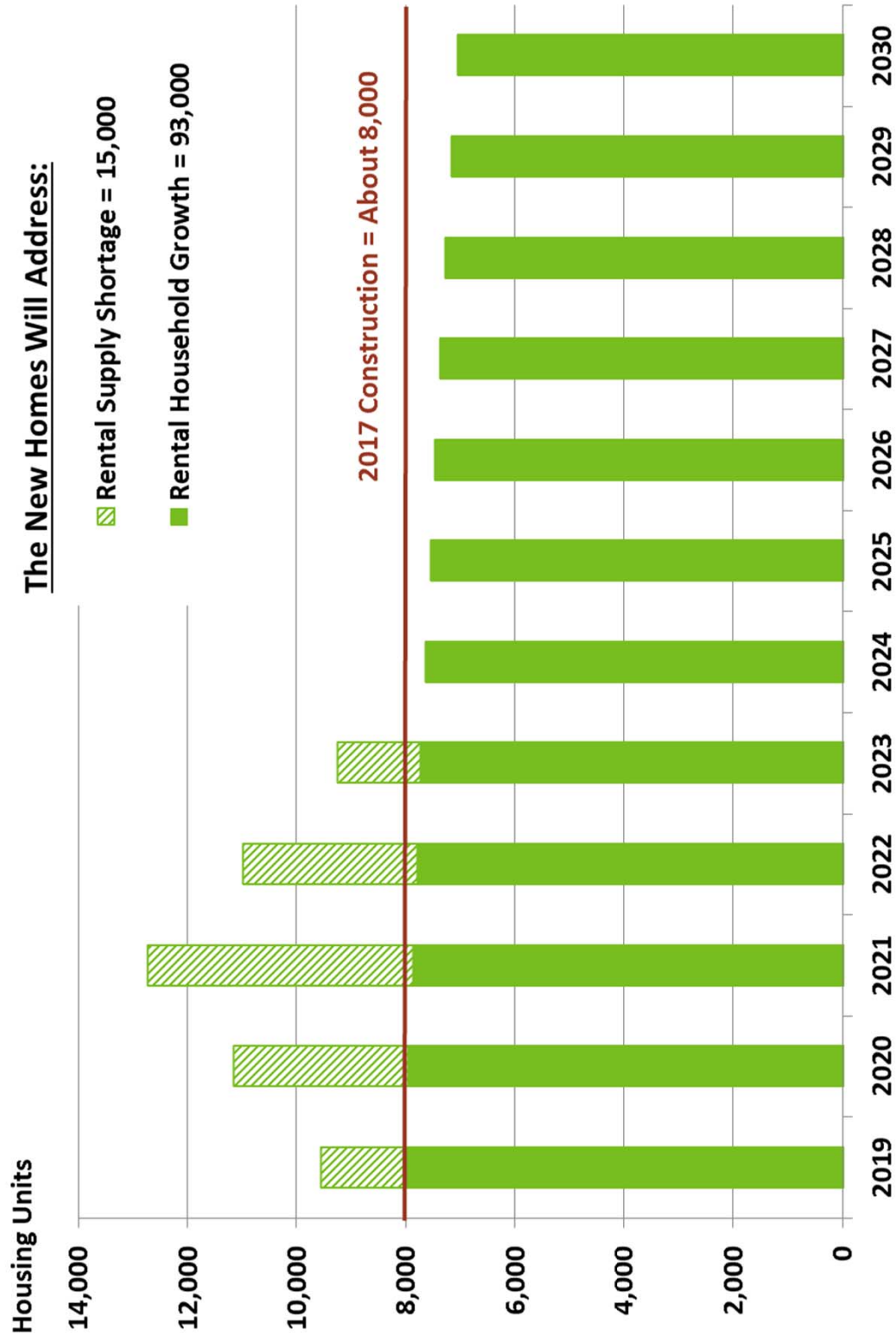
Housing Market

May 16, 2019

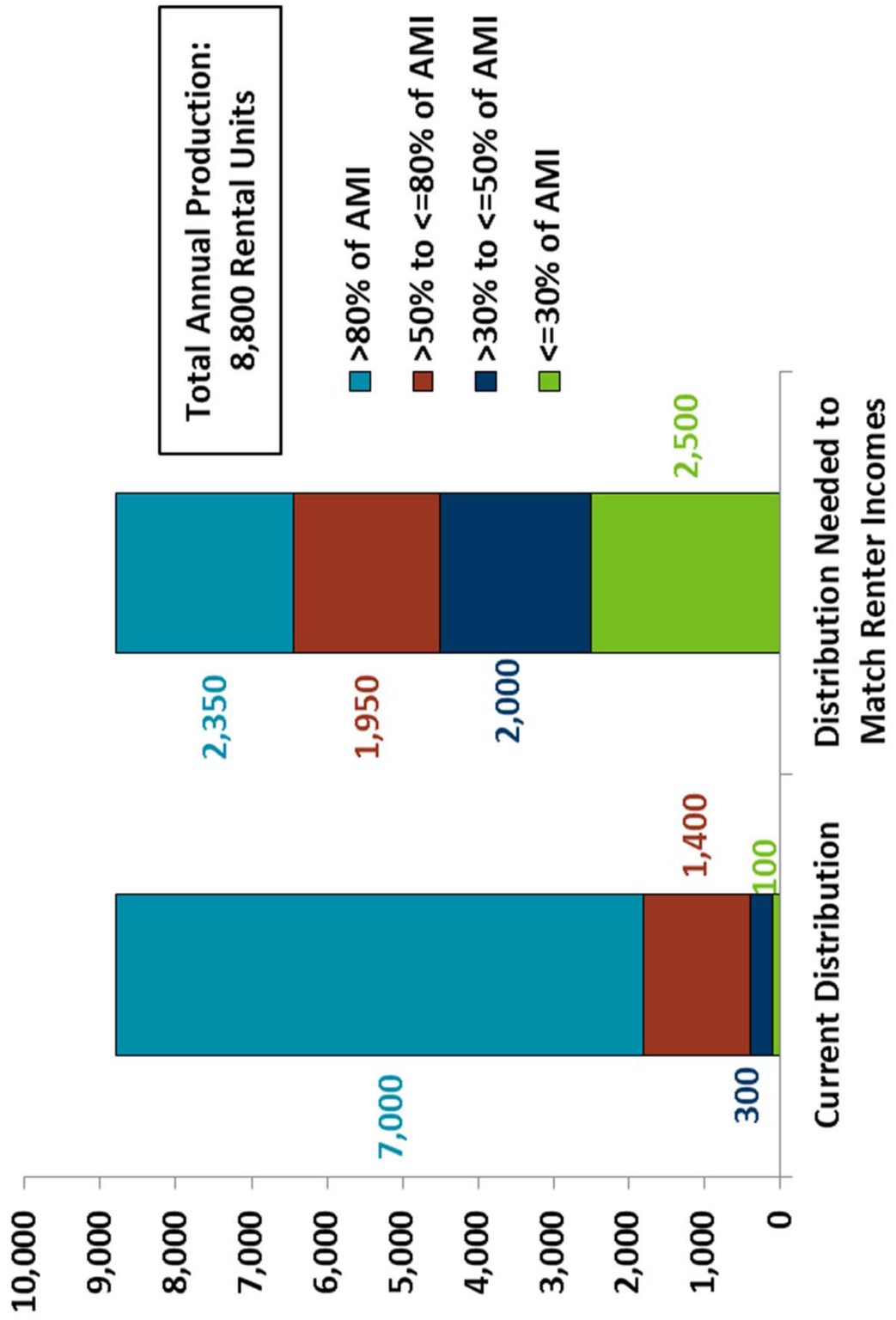
Minnesota Needs 300,000 New Housing Units Across All Types and Price Points by 2030



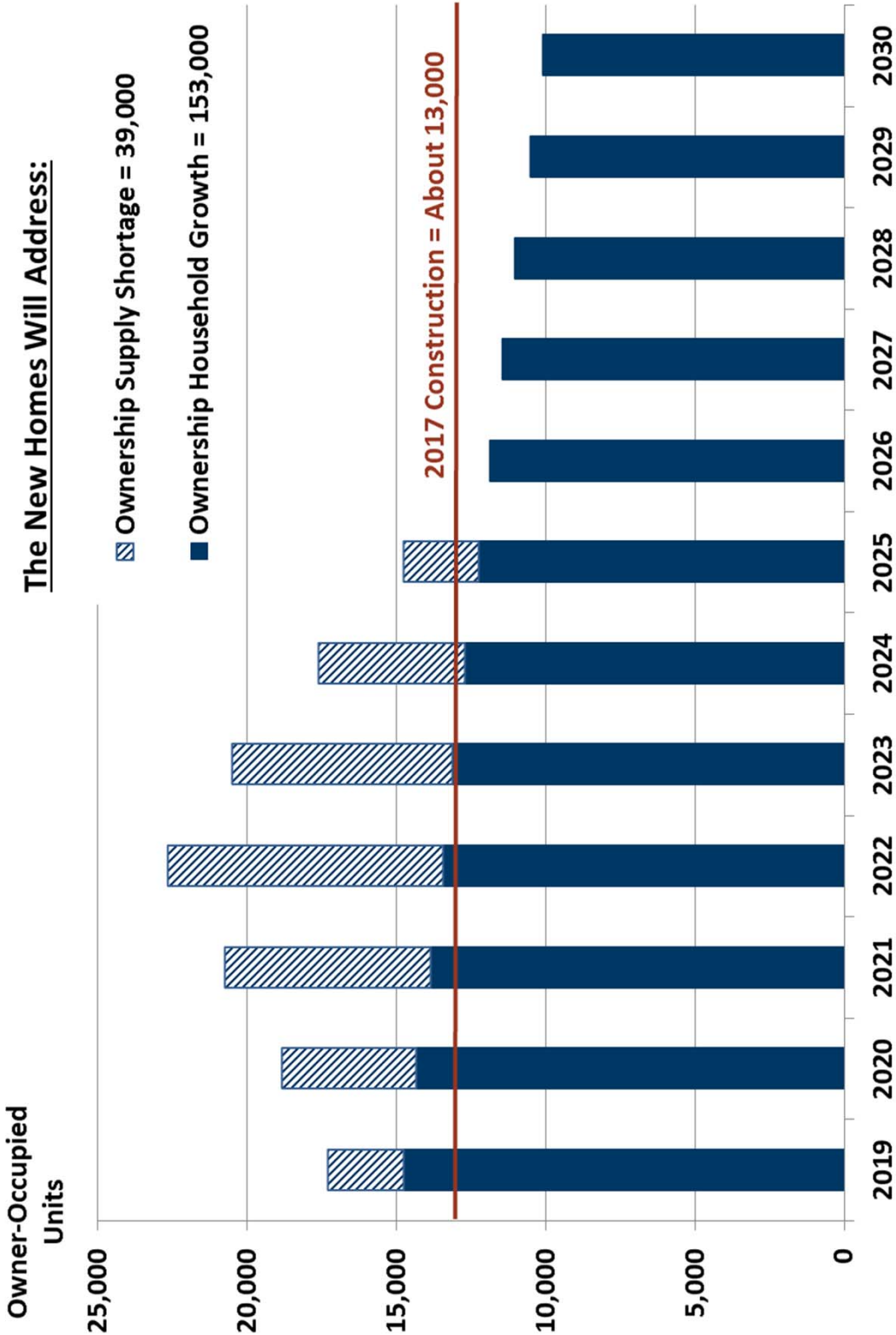
Minnesota Needs 108,000 New Rental Units Across All Types and Rents by 2030



Needed Affordability for New Rental Units

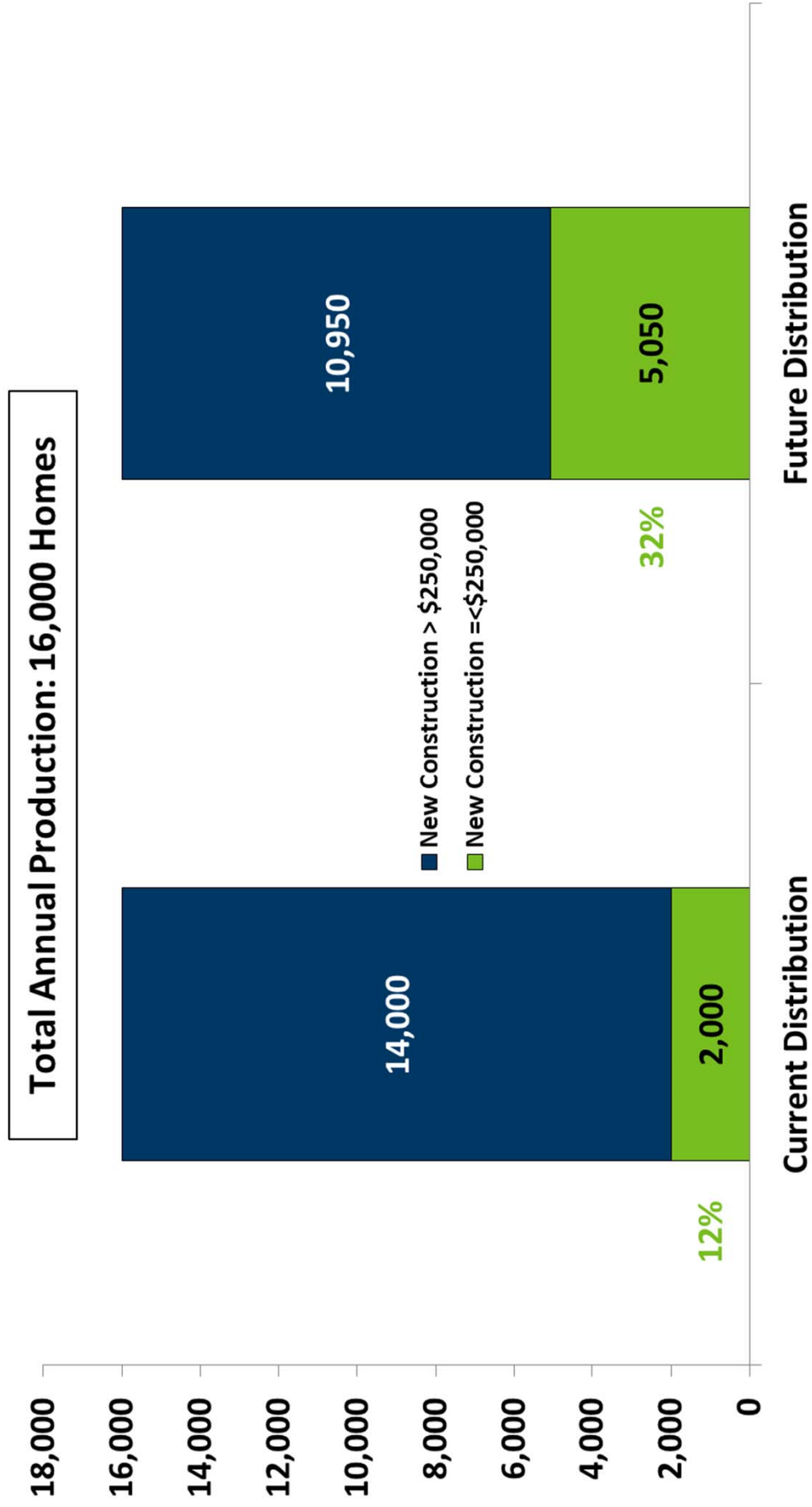


Minnesota Needs 192,000 New Owner-Occupied Homes Across All Types and Price Points by 2030

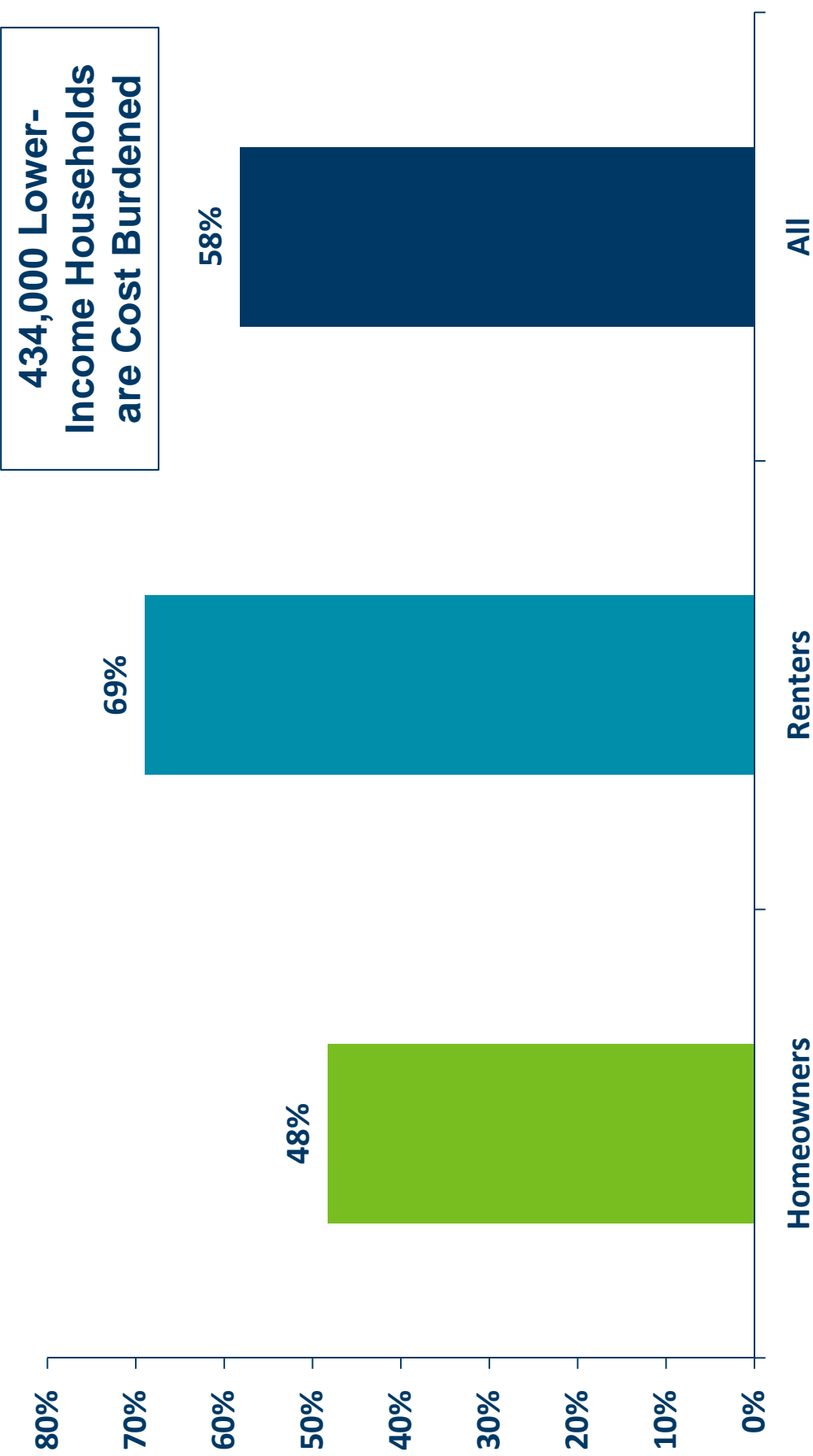


New Owner-Occupied Homes (Possible Scenario)

Needed Affordability for



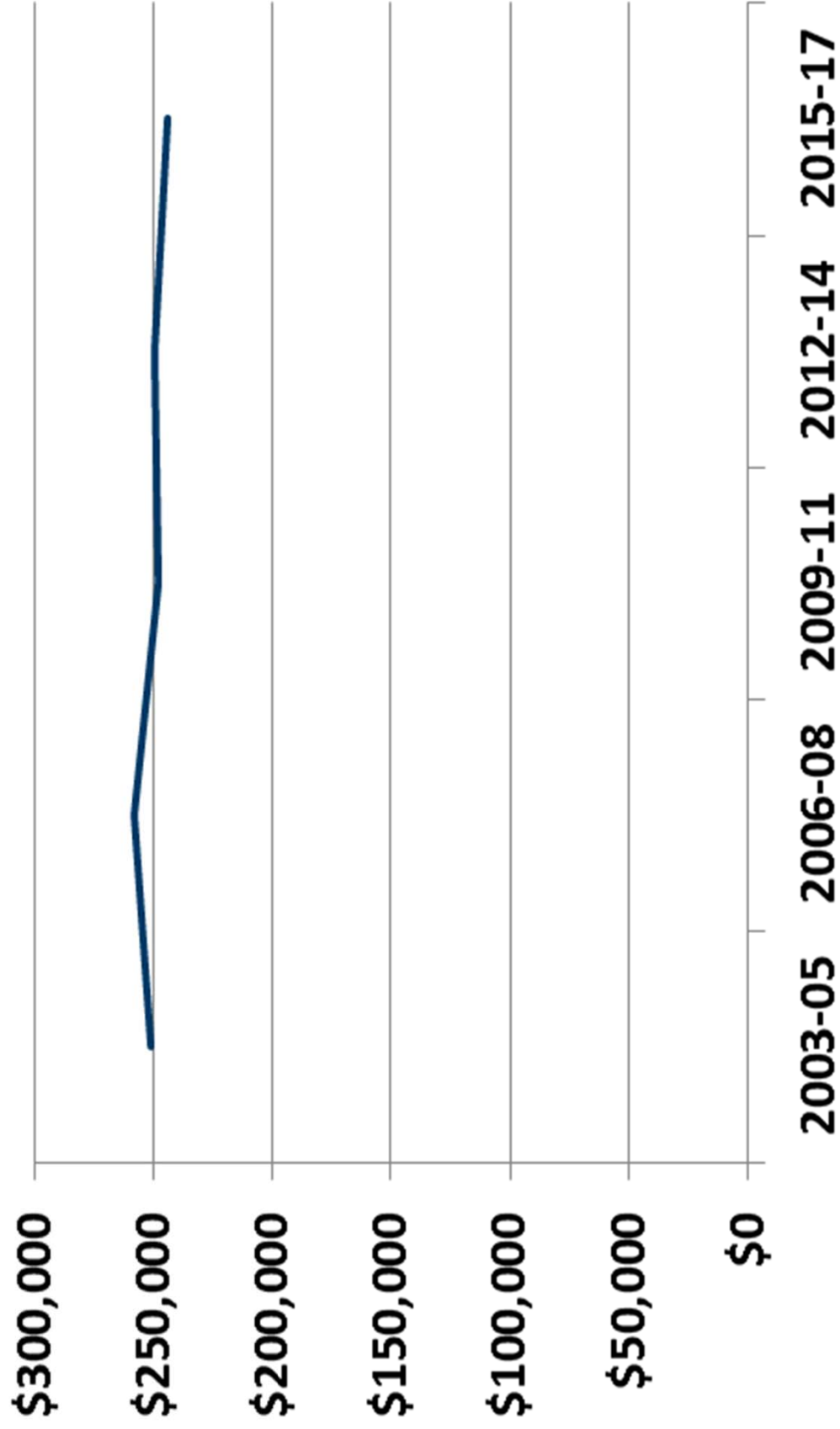
MN: % of Households with Income Less than \$50K that Spend 30% or More of Income on Housing



Source: Census Bureau, American Community Survey (2017)

Addressing Costs to Increase Production: A Closer Look

Costs Over Time – New Construction in the Metro Area with Tax Credits (inflation adj. \$s)



Average of Cost of Developing Affordable Housing – 2003-18 (inflation adj. \$s)

		Avg. TDC per Unit	Share of TDC		
			Construc- -tion	Acquisi- tion	Soft
New Const.	LIHTC				
		\$251,588	68%	8%	24%
New Const.	No-LIHTC				
		\$200,971	72%	11%	17%
New Const.	LITHC				
		\$203,887	72%	6%	22%
New Const.	No-LIHTC				
		\$183,404	72%	11%	17%
Rehab	LIHTC				
		\$199,159	36%	41%	23%
Rehab	No-LIHTC				
		\$136,525	41%	45%	14%
Rehab	LITHC				
		\$124,478	42%	37%	21%
Rehab	No-LIHTC				
		\$88,342	41%	42%	17%

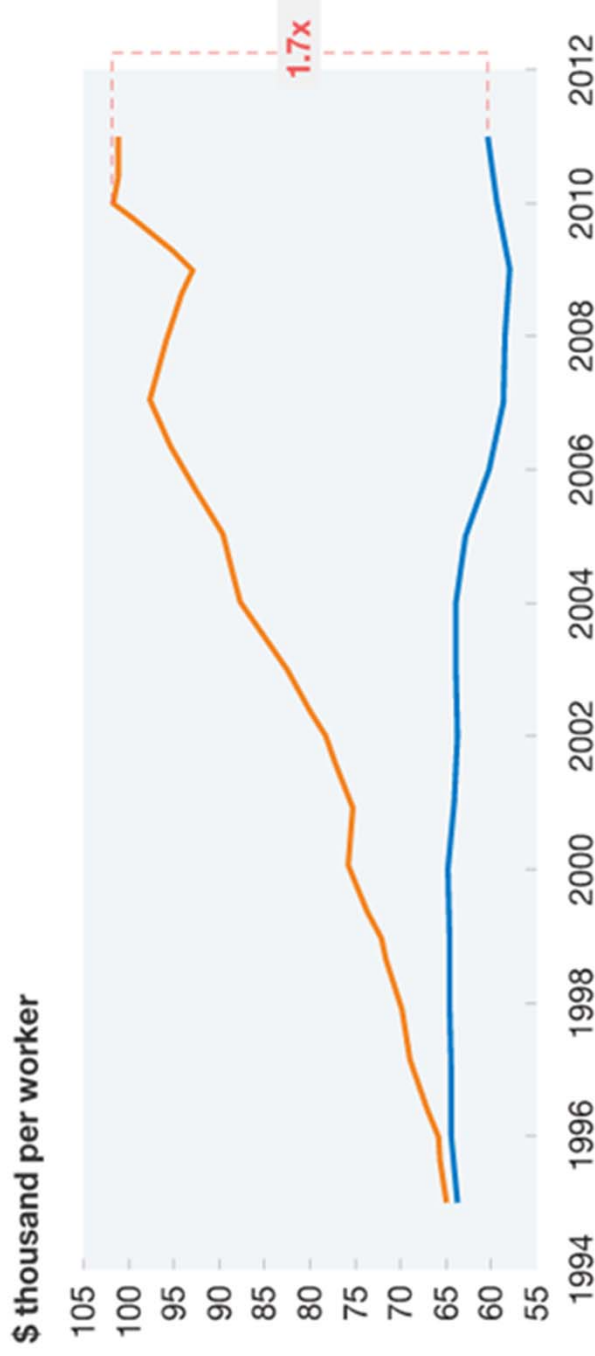
Construction Productivity has Been Stagnant

Productivity in manufacturing has nearly doubled, whereas in construction it has remained flat.

Overview of productivity improvement over time

Productivity (value added per worker), real, \$ 2005

— Manufacturing
— Construction



Source: Expert interviews; IHS Global Insight (Belgium, France, Germany, Italy, Spain, United Kingdom, United States); World Input-Output Database

McKinsey&Company

For More Information

Contact:

John Patterson

Director of Planning, Research & Evaluation

Minnesota Housing

john.patterson@state.mn.us

(651) 296-0763

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Board Agenda Item: 8.D

Date: 5/23/2019

Item: 2019 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

Staff Contact(s):

John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff has attached for your review and discussion the second quarter progress report for the 2019 Affordable Housing Plan and the 2016-19 Strategic Plan.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☒ Address Specific and Critical Local Housing Needs
- ☒ Finance Housing Responsive to Minnesota's Changing Demographics
- ☒ Preserve Housing with Federal Project-Based Rent Assistance
- ☒ Prevent and End Homelessness
- ☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- 2019 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

2019 Affordable Housing Plan and 2016-19 Strategic Plan

Second Quarter Progress Report

(October 1, 2018 – September 30, 2019)

May 16, 2019

Overview

Through first two quarters of the program year, program activity is well aligned with our original year-end forecasts. The largest divergence between actual and expected activity is in home mortgage lending, where activity is stronger than originally expected. Tables 1 through 3 present program activity, which are followed by notes for each line in the table. Table 4 presents updates in funding by program.

Table 1: Production (Units or Households with Funding Commitments) and Programmatic Measures
Quarter 2 of 2019 AHP (50% through AHP)

	Original AHP Forecast	Actual Year-to-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. Home First Mortgages	4,324	1,954	45%
2. Other Homeownership Opportunities	301	294	98%
3. <u>Owner-Occupied Home Improvement/Rehabilitation</u>	<u>1,354</u>	<u>551</u>	<u>41%</u>
4. Total	5,979	2,799	47%
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education and Counseling*	20,224	8,667	43%
Multifamily Production – Rental Units			
6. New Rental Construction	1,307	1,112	85%
7. Rental Rehabilitation	2,259	720	32%
8. Refinance Only (No Construction or Rehabilitation)	313	163	52%
9. <u>Asset Management</u>	<u>183</u>	<u>20</u>	<u>11%</u>
10. Total	4,061	2,015	50%
Rental Assistance and Operating Subsidies - Households			
11. State Funded Rental Assistance*	3,021	2,191	73%
12. Operating Subsidies*	894	750	84%
13. <u>Section 8 Contracts</u>	<u>28,259</u>	<u>28,067</u>	<u>99%</u>
14. Total	32,174	31,008	96%
Homeless Prevention			
15. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,144	2,644	37%
Increase Homeownership for Households of Color			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35.0%	36.0%	**

* Funds for Homebuyer education, state funded rent assistance, operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2018 AHP (in July-September 2018) are funding program activity in 2019 (October 1, 2018 to September 30, 2019). To reflect 2019 program activity for these programs, this table shows the households supported in 2019 with 2018 AHP funds. For all other programs, the table shows the households and housing units supported with 2019 AHP funds.

** Not Applicable.

Table 2: Deployment of Resources**Quarter 2 of 2019 AHP (50% through AHP)**

	AHP Forecast	Actual for Year
17. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	52%

Table 3: Management of Loan Assets**Quarter 2 of 2019 AHP (50% through AHP)**

	AHP Benchmark	Actual
18. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (3/31/19)	3.22%*	3.11%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	6.8%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	5.9%

* This is a benchmark, rather than a forecast, and it is based on the performance of other housing finance agencies from across the country that have their mortgages serviced by US Bank.

**The information presented is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Tables 1 - 3

- **Line 1:** Home mortgage lending continues to be very strong. We originally forecasted financing 4,324 mortgages with \$800 million of mortgage capital. Through the first two quarters, which is the slowest part of the home-buying year, we have already reached 45% of the year-end forecast. We still have the prime season to come. Based on production so far, we now anticipate financing nearly 5,000 home mortgages; however, market conditions can change as we go through the prime home-buying season.
- **Line 2:** Production under other homeownership opportunities is performing as expected. The primary activity in this area is single-family new development and acquisition/rehabilitation/resale through the Community Homeownership Impact Fund, which has already selected its projects for the year through the once-a-year RFP and reached 98% of its production forecast. The program has an incentive fund, through which awardees can get additional funds if they use their original award in a timely fashion. As a result, additional assistance may be provided during the year.
- **Line 3:** Overall, production for owner-occupied home improvement and rehabilitation is generally on track. Strong owner-occupied rehabilitation under the Impact Fund RFP offset slow lending under the Fix-Up Fund and Community Fix-Up Fund programs, which reached 31% of the year-end goal after the first two quarters; however, production for those two programs typically increases later in the year.
- **Line 4:** Overall, home buying and improvement activities are performing as or better than expected.
- **Line 5:** Homebuyer education and counseling is on track, reaching 43% of the year-end forecast after the first two quarters, and activity should increase with the upcoming home-buying season.

- **Line 6:** Rental new construction is performing as expected, reaching 85% of the year-end goal after completing our annual Consolidated RFP. Some additional lending should occur as we finance developments through our year-round pipeline process.
- **Line 7:** Rental rehabilitation activity is also on track, reaching 32% of the year-end forecast. Although we have already made selections under the annual Consolidated RFP, additional units will be assisted through our year-round pipeline funding process. In addition, the RFPs for the Publicly-Owned Housing Program (POHP) and the Rental Rehabilitation Deferred Loan (RRDL) program occur in the 3rd and 4th quarters (after March 31). If the 1,380 public housing units for which the Board approved POHP funding in April are included, production jumps to 2,100 and 93% of the year-end forecast.
- **Line 8:** This activity involves refinancing multifamily loans (largely first mortgages) for existing rental housing without any construction or rehabilitation involved. We fund this activity on a year-round pipeline basis. After the first two quarters, we reached 52% of the year-end forecast.
- **Line 9:** Under Asset Management, we have reached 11% of the year-end forecast. We have oriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the annual Consolidated RFP for longer-term needs. By targeting the program to shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain. We can go through periods of no activity, followed by a periods of a lot of activity.
- **Line 10:** Overall, rental production is on track.
- **Line 11:** The number of households assisted by our rent assistance programs (Bridges, Housing Trust Fund, and Section 811) reached 73% of the year-end forecast. Most of the households that received assistance during the first two quarters will continue to receive it throughout the year, but the number of assisted households will increase a bit as some households leave the program and their vouchers turnover to new households. In a typical year, the turnover rate is 10% to 15%. In addition, we are still in the process of launching and ramping up a new rent assistance pilot for students experiencing homelessness, called Homework Starts with Home. As households enroll in this program, the number of assisted households will increase.

Given the very low rental vacancy rates across Minnesota, some voucher holders have had a difficult time finding housing to use their vouchers.

- **Line 12:** Operating subsidies are performing as expected through the first two quarters.
- **Line 13:** The administration of Section 8 contracts is performing as expected. Nearly all the households that receive assistance in the first two quarters will receive it throughout the year. This is a very stable program with consistent funding and households served.

- **Line 14:** Overall, rent assistance and operating subsidy activity (federal and state) is performing as expected.
- **Line 15:** Homeless prevention activity is only at 37% of the year-end forecast for assisted households after the first two quarters, and about 50% of the funds have been disbursed. With program administrators working with harder-to-serve clients and focusing on rapid-rehousing, the amount of assistance per client continues to increase. As a result, the program serves fewer clients with the fixed amount of funding.
- **Line 16:** We continue to effectively serve communities of color through homeownership. We estimate that 34% of renters between the ages of 25 and 44 (the prime first-time homebuyer ages) and who are potentially income-ready to buy a home are households of color. Through the first two quarters, 36% of our first-time homebuyer mortgages (Start Up) went to households of color, surpassing our goal of 35%.
- **Line 17:** Through the first two quarters, we have committed 52% of the funds originally budgeted in the 2019 AHP. At this time last year, we had committed 51% of the funds originally budgeted, and we ended the year at 116% of the original budget. We often see more activity in the second half of the year with the peak of the home-buying season.
- **Line 18:** Our 30+ day delinquency rate for home mortgages purchased in the last 24 months (including loans in foreclosure) was 3.11% in March 2019, which is in line with and slightly better than our “peer” benchmark of 3.22%. This data comes from US Bank, which services loans in mortgage backed securities (MBS) for us and many other housing finance agencies across the country.

The information is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any of our bonds and should not be relied upon for that purpose. We publish separate disclosure reports for each of our bond resolutions.

- **Lines 19-20:** We are meeting our goal for minimizing the number and share of loans on the multifamily watch list.

Updated Funding Levels

Table 4 presents funding changes to the original 2019 AHP. The delegated changes are mostly revised estimates of uncommitted funds that carried forward from the 2018 AHP to the 2019 AHP or loan repayment above expected levels. In February, the Board approved \$5 million for the Greater Minnesota Housing Fund’s initiative to preserve naturally occurring affordable housing.

Table 4: 2019 Affordable Housing Plan and Funding Updates

		Original 2019 Funding Level	Delegated Changes	Board Changes	Updated Funding
	Homebuyer Financing and Home Refinancing	\$840,000,000	\$74,879	\$0	\$840,074,879
1	Home Mortgage Loans	\$800,000,000			\$800,000,000
2	Deferred Payment Loans	\$22,000,000	\$74,879		\$22,074,879
3	Monthly Payment Loans	\$18,000,000			\$18,000,000
	Homebuyer/Owner Education and Counseling	\$2,777,000	\$57,394	\$0	\$2,834,394
4	Homebuyer Education, Counseling & Training (HECAT)	\$1,527,000	\$57,394		\$1,584,394
5	Enhanced Homeownership Capacity Initiative	\$1,250,000			\$1,250,000
	Home Improvement Lending	\$26,494,000	\$293,326	\$0	\$26,787,326
6	Home Improvement Loan Program	\$17,000,000			\$17,000,000
7	Rehabilitation Loan Program (RLP)	\$9,494,000	\$293,326		\$9,787,326
	Rental Production- New Construction and Rehabilitation	\$179,920,842	\$4,486,217	\$0	\$184,407,059
8	Multifamily First Mortgages	\$105,000,000			\$105,000,000
9	Flexible Financing for Capital Costs (FFCC)	\$0	\$4,483,858		\$4,483,858
10	Multifamily Flexible Capital Account	\$5,000,000	-\$4,483,858		\$516,142
11	Low-Income Housing Tax Credits (LIHTC)	\$12,413,026			\$12,413,026
12	National Housing Trust Fund	\$3,445,781	\$169,359		\$3,615,140
13	HOME	\$11,885,573	\$3,429,877		\$15,315,450
14	Preservation - Affordable Rental Investment Fund (PARIF)	\$17,782,453	\$777,452		\$18,559,905
15	Asset Management	\$3,500,000	-\$161		\$3,499,839
16	Rental Rehabilitation Deferred Loan Pilot (RRDL)	\$9,735,313	\$12,690		\$9,748,003
17	Publicly Owned Housing Program (POHP) - GO Bonds	\$9,231,696	\$97,000		\$9,328,696
18	Workforce Housing Development	\$1,927,000			\$1,927,000
	Rental Assistance Contract Administration	\$178,810,000	\$0	\$0	\$178,810,000
19	Section 8 - Performance Based Contract Administration	\$141,460,000			\$141,460,000
20	Section 8 - Traditional Contract Administration	\$37,350,000			\$37,350,000
	Housing Stability for Vulnerable Populations	\$29,870,556	\$1,660,252	\$0	\$31,530,808
21	Housing Trust Fund (HTF) Rent Assist. and Operating Sub.	\$15,495,000	\$1,379,611		\$16,874,611
22	Bridges Rent Assistance	\$4,596,635	\$191,125		\$4,787,760
24	Section 811 Supportive Housing Rent Assistance	\$912,000			\$912,000
24	Family Homeless Prevention and Assist. Program (FHPAP)	\$8,668,476	\$83,514		\$8,751,990
25	Housing Opportunities for Persons with AIDS (HOPWA)	\$198,445	\$6,002		\$204,447
	Multiple Use Resources	\$85,026,481	\$1,436,066	\$5,000,000	\$91,462,547
26	Economic Development and Housing/Challenge (EDHC)	\$16,601,481	\$934,464		\$17,535,945
27	Single Family Interim Lending	\$1,900,000			\$1,900,000
28	Housing Infrastructure Bonds (HIB)	\$60,000,000			\$60,000,000
29	Community-Owned Manufactured Home Parks	\$2,000,000			\$2,000,000
30	Technical Assistance and Operating Support	\$2,525,000	\$501,602		\$3,026,602
31	Strategic Priority Contingency Fund	\$2,000,000			\$2,000,000
32	Strategic Investments / Loans	TBD		\$5,000,000	\$5,000,000
	Other	\$2,368,232	\$280,702	\$0	\$1,950,433
33	Manufactured Home Relocation Trust Fund	\$621,178	\$77,323		\$0
34	Disaster Relief Contingency Fund	\$1,747,054	\$203,379		\$1,950,433
	Total	\$1,345,267,111	\$8,288,836	\$5,000,000	\$1,357,857,446